
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 1, 2018

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

MARUI GROUP CO., LTD.

Hiroshi Aoi

President and Representative Director

Notice of Convocation of the 82nd Ordinary General Meeting of Shareholders

Dear Shareholders:

You are cordially invited to attend the 82nd 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 22, 2018 (Friday).

GUIDANCE ON THE WAY TO EXERCISE THE VOTING RIGHTS:

[For those attending the General Meeting of Shareholders]

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

[For those exercising voting rights by mail]

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

[For those exercising voting rights via the Internet]

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

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

PARTICULARS

- 1. Date and Time of the Meeting:** Monday, June 25, 2018 at 10:00 a.m.
(Reception commences at 9:00 a.m.)
- 2. Place of the Meeting:** 3rd Floor of the Head Office of MARUI GROUP CO., LTD.
at 3-2, Nakano 4-chome, Nakano-ku, Tokyo, Japan
- 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 82nd Fiscal Year (from April 1, 2017 to March 31, 2018).
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: Partial Amendments to the Articles of Incorporation

Proposal 3: Election of Seven (7) Directors

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

Proposal 5: Election of One (1) Substitute Audit & Supervisory Board Member

Guidance for Exercising Voting Rights:

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

- End -

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

A message to all of our shareholders

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

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

Since its foundation in 1931, the Group has continued evolving its unique business models where retailing and financing are integrated to respond to changes in the times and consumer tastes.

Our corporate philosophy is to “continue evolving to better aid our customers” and we “equate the development of our people with the development of our company.” Based on this philosophy, our mission is to co-create “happiness” of all of our stakeholders.

To achieve this goal, we are focused on the concept of “inclusion.”

By reviewing its businesses that have been pursued to date with a focus on “everyone” through the concept of “inclusion,” the Group has taken the first step towards “Co-Creation Sustainability Management,” which is future-oriented management that integrates considerations for business and the environment, solutions to social issues, and initiatives for governance.

The MARUI GROUP will engage in communication with shareholders and pursue “Co-Creation Sustainability Management” to help co-create a flourishing and inclusive society that offers happiness to everyone. We look forward to your continued patronage in the future.

June 2018

Reference Document Concerning the General Meeting of Shareholders

Proposals and Reference Materials

Proposal 1: Proposed Disposal of Surplus

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

Based on the above basic policy, it is proposed that the year-end dividends for the fiscal year under review be 20 yen per share. Together with the interim dividends of 18 yen per share which have been paid, the annual payment of dividends for the fiscal year under review shall be 38 yen per share, an increase of 5 yen per share compared with the previous fiscal year, which is the increase in dividends for six (6) consecutive fiscal years.

Matters related to the year-end dividend:

- (1) Type of assets distributed: Cash
- (2) Matter related to distribution of cash and total amount:
20 yen per share of common stock of the Company
Total amount: 4,417,864,220 yen
- (3) Effective date for distribution of surplus: June 26, 2018

Proposal 2: Partial Amendments to the Articles of Incorporation

1. Reasons for the amendments

- (1) In line with the business expansion of the Group, the Company proposes the addition of business purposes to Article 2 (Purpose) of the current Articles of Incorporation.
- (2) The Company proposes revisions to Article 25 (Liability Limit Agreement with External Directors) and Article 32 (Liability Limit Agreement with External Audit & Supervisory Board Members) of the current Articles of Incorporation to further clarify the maximum amount of liability for damages under the liability limit agreements. For amendments to Article 25 (Liability Limit Agreement with External Directors), the Group has obtained consent from all Audit & Supervisory Board Members.
- (3) Other items, including changes to and removal of provisions in line with the current state, etc., are proposed to be made as necessary.

2. Contents of the amendments

Contents of amendments are as follows:

(Amended parts are underlined)

Current Articles of Incorporation	Proposed Amendments
<p>Article 2 (Purpose) The Purpose of the Company shall be: to control and manage the business activities of the corporations that conduct the following businesses by owing shares in such corporations.</p> <p>(1) to (9) (Omitted)</p> <p>(10) Non-life insurance agency and life insurance solicitation</p> <p>(11) Installment sales, <u>installment sales agency</u>, purchase of installment receivables, commissioned money collection, credit research, and commissioned computing (Newly established)</p> <p>(12) to (19) (Omitted)</p>	<p>Article 2 (Purpose) The Purpose of the Company shall be: to control and manage the business activities of the corporations that conduct the following businesses by owing shares in such corporations.</p> <p>(1) to (9) (Unchanged)</p> <p>(10) Non-life insurance agency, life insurance solicitation <u>and short-term insurance business</u></p> <p>(11) Installment sales, <u>credit purchase brokerage, rent guarantee</u>, purchase of installment receivables, commissioned money collection, credit research, and commissioned computing</p> <p>(12) <u>Financial instruments trading, financial instruments brokerage, and other finance-related business</u></p> <p>(13) to (20) (Unchanged)</p>

Current Articles of Incorporation	Proposed Amendments
<p>Article 25 (Liability Limit Agreement with External Directors) The Company shall be able to enter into a liability limit agreement with External Director to limit liability for the damages stipulated in Article 423, Paragraph 1 of the Companies Act, pursuant to the provisions of Article 427, Paragraph 1 of the same Act. The maximum amount of liability for damages under such agreement <u>shall be the minimum liability amount stipulated by laws and regulations.</u></p> <p>Article 32 (Liability Limit Agreement with External Audit & Supervisory Board Members) The Company shall be able to enter into a liability limit agreement with External Audit & Supervisory Board Member to limit liability for the damages stipulated in Article 423, Paragraph 1 of the Companies Act, pursuant to the provisions of Article 427, Paragraph 1 of the same Act. The maximum amount of liability for damages under such agreement <u>shall be the minimum liability amount stipulated by laws and regulations.</u></p> <p><u>Article 36 (Conversion Period of Convertible Bonds)</u> <u>For the first year-end dividend or interim dividend paid for shares issued by a conversion request of convertible bonds, the conversion is deemed to have been made on April 1 for requests submitted between April 1 and September 30, and October 1 for requests submitted between October 1 and March 31 of the following year.</u></p> <p>Article 37 (Omitted)</p>	<p>Article 25 (Liability Limit Agreement with External Directors) The Company shall be able to enter into a liability limit agreement with External Director to limit liability for the damages stipulated in Article 423, Paragraph 1 of the Companies Act, pursuant to the provisions of Article 427, Paragraph 1 of the same Act. The maximum amount of liability for damages under such agreement <u>shall be the higher of a predetermined amount of 10 million yen or more or the amount set by the laws and regulations.</u></p> <p>Article 32 (Liability Limit Agreement with External Audit & Supervisory Board Members) The Company shall be able to enter into a liability limit agreement with External Audit & Supervisory Board Member to limit liability for the damages stipulated in Article 423, Paragraph 1 of the Companies Act, pursuant to the provisions of Article 427, Paragraph 1 of the same Act. The maximum amount of liability for damages under such agreement <u>shall be the higher of a predetermined amount of 10 million yen or more or the amount set by the laws and regulations.</u> (Removed)</p> <p>Article 36 (Unchanged)</p>

Proposal 3: Election of Seven (7) Directors

The term of office of all of the seven (7) Directors will resign from his office expire at the close of this General Meeting.

External Director, Mr. Koichiro Horiuchi, will at the close of this General Meeting.

Accordingly, the Company would like to propose to elect seven (7) Directors, including three (3) External Directors.

The candidates for Directors are as follows:

Candidate Number	Name		Positions and Responsibilities at the Company	Attendance to the Meetings of the Board of Directors
1	Hiroshi Aoi	【Reappointment】	President and Representative Director, and Group Representative Executive Officer	10/10 100%
2	Etsuko Okajima	【Reappointment】 【Candidate for External Director】 【Candidate for Independent Director】	External Director	10/10 100%
3	Yoshitaka Taguchi	【New appointment】 【Candidate for External Director】 【Candidate for Independent Director】	—	—
4	Masahiro Muroi	【Reappointment】 【Candidate for External Director】 【Candidate for Independent Director】	External Director	*8/8 100%
5	Tomoo Ishii	【Reappointment】	Director and Senior Managing Executive Officer, CHO, In charge of Audit, General Affairs, Personnel and Healthcare Promotion	10/10 100%
6	Masao Nakamura	【Reappointment】	Director and Managing Executive Officer Responsible for FinTech Business	10/10 100%
7	Hirotsugu Kato	【Reappointment】	Director and Senior Executive Officer, CDO General Manager, IR Division In charge of Corporate Planning and ESG Promotion	10/10 100%

*Attendance to the Meetings of the Board of Directors for Mr. Masahiro Muroi indicates the status after his assumption of office as Director on June 26, 2017.

	Name (Date of Birth)	(Brief History, Positions, Responsibilities, and Important Positions at Other Organizations Concurrently Assumed, If Any)	Number of Shares Held
1	Hiroshi Aoi (January 17, 1961) 【Reappointment】	<p>Jul. 1986 Joined the Company</p> <p>Apr. 1991 Director, and General Manager, Sales Planning Headquarters</p> <p>Apr. 1995 Managing Director, Deputy General Manager, Sales Promotion Headquarters, and General Manager, Sales Planning Division</p> <p>Jan. 2001 Managing Director, and General Manager, Sales Promotion Headquarters</p> <p>Jun. 2004 Executive Vice President and Representative Director</p> <p>Apr. 2005 President and Representative Director</p> <p>Oct. 2006 President and Representative Director, and Group Representative Executive Officer (Incumbent)</p> <p>Reasons for nomination as a candidate for Director</p> <p>Mr. Hiroshi Aoi has properly operated the Board of Directors as the chairman and duly performed his supervisory functions for important management decision making and operational execution as President and Representative Director of the Company since 2005. He has ample business experience and knowledge as a corporate manager, and has controlled overall operation of the Group and performed his duties properly as Group Representative Executive Officer. Based on the above reasons, the Company believes that he can fully perform his functions for long- and mid- term improvement in corporate value of the Company. Therefore, the Company has nominated him as a candidate for a Director.</p>	1,538,300

	Name (Date of Birth)	(Brief History, Positions, Responsibilities, and Important Positions at Other Organizations Concurrently Assumed, If Any)	Number of Shares Held
2	<p>Etsuko Okajima (May 16, 1966)</p> <p>【Reappointment】</p> <p>【Candidate for External Director】</p> <p>【Candidate for Independent Director】</p> <p>▶ Term of office from the appointment as Director of the Company to the close of this Ordinary General Meeting of Shareholders: 4 years</p> <p>▶ Attendance to the Meetings of the Board of Directors: 10 out of 10</p>	<p>Apr. 1989 Joined Mitsubishi Corporation</p> <p>Jan. 2001 Joined McKinsey & 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. (Scheduled to retire in June 2018)</p> <p>Mar. 2016 External Director, the Company (Incumbent)</p> <p>External Director, Link and Motivation Inc. (Incumbent)</p> <p>Reasons for nomination as a candidate for External Director</p> <p>Ms. Etsuko Okajima has experience and extensive knowledge of corporate management and is well versed in diversity. She has currently performed her duties as External Director of the Company properly from an independent, objective position. As the Company believes that she can continue to contribute to the reinforcement of supervisory function for management of the Company, the Company has nominated her as a candidate for an External Director.</p>	0
3	<p>Yoshitaka Taguchi (April 20, 1961)</p> <p>【New appointment】</p> <p>【Candidate for External Director】</p> <p>【Candidate for Independent Director】</p>	<p>Mar. 1985 Joined Seino Transportation Co., Ltd. (current Seino Holdings Co., Ltd.)</p> <p>Jul. 1989 Director, Seino Transportation Co., Ltd. (current Seino Holdings Co., Ltd.)</p> <p>Jul. 1991 Managing Director, Seino Transportation Co., Ltd. (current Seino Holdings Co., Ltd.)</p> <p>Jun. 1996 Senior Managing Director, Seino Transportation Co., Ltd. (current Seino Holdings Co., Ltd.)</p> <p>Oct. 1998 Representative Director and Vice President, Seino Transportation Co., Ltd. (current Seino Holdings Co., Ltd.)</p> <p>Jun. 2003 President and Chief Operating Officer, Seino Transportation Co., Ltd. (current Seino Holdings Co., Ltd.) (Incumbent)</p> <p>Reasons for nomination as a candidate for External Director</p> <p>Mr. Yoshitaka Taguchi has ample experience and extensive knowledge with many years of active participation in corporate management. As the Company believes that he can contribute to the reinforcement of supervisory function for management of the Company from an independent and objective position as External Director of the Company, the Company has nominated him as a candidate for an External Director.</p>	0

	Name (Date of Birth)	(Brief History, Positions, Responsibilities, and Important Positions at Other Organizations Concurrently Assumed, If Any)	Number of Shares Held
4	<p>Masahiro Muroi (July 13, 1955) 【Reappointment】 【Candidate for External Director】 【Candidate for Independent Director】</p> <ul style="list-style-type: none"> ▶ Term of office from the appointment as Director of the Company to the close of this Ordinary General Meeting of Shareholders: 1 year ▶ Attendance to the Meetings of the Board of Directors: 8 out of 8 	<p>Apr. 1978 Joined Nomura Computer System Co., Ltd. (current Nomura Research Institute, Ltd.)</p> <p>Jun. 2000 Member of the Board, Nomura Research Institute, Ltd.</p> <p>Apr. 2009 Representative and Senior Executive Managing Director, Member of the Board, Nomura Research Institute, Ltd.</p> <p>Apr. 2013 Representative and Vice President, Member of the Board, Nomura Research Institute, Ltd.</p> <p>Apr. 2015 Vice chairman, Member of the Board, Nomura Research Institute, Ltd.</p> <p>Jun. 2016 External Director, Ryoden Corporation (Incumbent)</p> <p>Jun. 2017 External Director, the Company (Incumbent)</p> <p>Jun. 2018 Audit & Supervisory Board Member, The Norinchukin Bank (Scheduled)</p> <hr/> <p>Reasons for nomination as a candidate for External Director</p> <p>Mr. Masahiro Muroi has experience in taking the initiative in corporate governance reforms as a corporate manager and deep knowledge of leading-edge technology and the digital field. As the Company believes that he can contribute to the reinforcement of supervisory function for management of the Company when developing a growth strategy by digital innovation which the Company will promote, the Company has nominated him as a candidate for an External Director.</p>	0

	Name (Date of Birth)	(Brief History, Positions, Responsibilities, and Important Positions at Other Organizations Concurrently Assumed, If Any)	Number of Shares Held
5	Tomoo Ishii (July 16, 1960) 【Reappointment】	<p>Apr. 1983 Joined the Company</p> <p>Oct. 2005 General Manager, Group Compliance Division</p> <p>Apr. 2007 Executive Officer, and General Manager, Group Compliance Division</p> <p>Jun. 2009 Director and Executive Officer, and General Manager, General Affairs Division</p> <p>Apr. 2013 Director and Executive Officer, and General Manager, Personnel Division</p> <p>Apr. 2015 Director and Managing Executive Officer, Chief Operating Officer, Healthcare Promotion, and General Manager, Personnel Division In charge of General Affairs and Healthcare Promotion</p> <p>Apr. 2016 Director and Managing Executive Officer, and Chief Operating Officer, Healthcare Promotion In charge of General Affairs, Personnel and Healthcare Promotion</p> <p>Apr. 2017 President and Representative Director, MOVING CO., LTD. (Incumbent)</p> <p>Apr. 2018 Director and Senior Managing Executive Officer and CHO In charge of Audit, General Affairs, Personnel and Healthcare Promotion, the Company (Incumbent)</p>	18,400
		<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 personnel, general affairs, healthcare promotion and audits, and performed his duties properly as Senior 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>	

	Name (Date of Birth)	(Brief History, Positions, Responsibilities, and Important Positions at Other Organizations Concurrently Assumed, If Any)	Number of Shares Held
6	Masao Nakamura (June 11, 1960) 【Reappointment】	<p>Apr. 1983 Joined the Company</p> <p>May 2003 General Manager, Store Planning Division, Sales Promotion Headquarters</p> <p>Apr. 2007 Executive Officer, and General Manager, Group Business Promotion Division</p> <p>Jun. 2008 Director and Executive Officer, and General Manager, Corporate Planning Division and Business Development Division</p> <p>Apr. 2011 Managing Director and Managing Executive Officer President and Representative Director, MARUI Co., Ltd.</p> <p>Apr. 2015 Director and Managing Executive Officer Responsible for Retailing and Store Operations Business</p> <p>Apr. 2016 President and Representative Director, AIM CREATE CO., LTD. (Incumbent)</p> <p>May 2016 Director and Managing Executive Officer, the Company Responsible for Retailing Business</p> <p>Oct. 2017 Director and Managing Executive Officer Responsible for FinTech 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 fintech 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>	21,500

	Name (Date of Birth)	(Brief History, Positions, Responsibilities, and Important Positions at Other Organizations Concurrently Assumed, If Any)	Number of Shares Held
7	Hirotsugu Kato (July 30, 1963) 【Reappointment】	<p>Mar. 1987 Joined the Company</p> <p>Apr. 2013 General Manager, Corporate Planning Division</p> <p>Apr. 2015 Executive Officer, and General Manager, Corporate Planning Division</p> <p>Oct. 2015 Executive Officer, and General Manager, Corporate Planning Division and IR Division</p> <p>Jun. 2016 Director and Senior Executive Officer General Manager, Corporate Planning Division and IR Division</p> <p>Oct. 2016 Director and Senior Executive Officer General Manager, Corporate Planning Division and IR Division In charge of ESG Promotion</p> <p>Apr. 2017 Director and Senior Executive Officer General Manager, IR Division In charge of Corporate Planning Division and ESG Promotion</p> <p>Oct. 2017 Director and Senior Executive Officer CDO General Manager, IR Division In charge of Corporate Planning and ESG Promotion (Incumbent)</p>	5,200
		<p>Reasons for nomination as a candidate for Director</p> <p>Mr. Hirotsugu Kato has business experience in Corporate Planning, Finance and IR Divisions, etc. and has performed his supervisory functions properly for important management decision making and operational execution as Director of the Company since 2016. He also has controlled corporate planning and ESG promotion and performed his duties properly as Senior Executive Officer of the Company. Based on the above reasons, the Company believes that he can fully perform his functions for long- and mid-term improvement in corporate value of the Company. Therefore, the Company has nominated him as a candidate for a Director.</p>	

- Notes:
- Ms. Etsuko Okajima and Mr. Masahiro Muroi are candidates for External Directors and the Company has submitted a notification designating them as independent directors to Tokyo Stock Exchange, Inc.
 - Ms. Etsuko Okajima's name on the family register is Ms. Etsuko Mino.
 - Mr. Yoshitaka Taguchi is a candidate for External Director and the Company plans to submit a notification designating him as an independent director to Tokyo Stock Exchange, Inc. subject to his appointment.
 - Mr. Yoshitaka Taguchi concurrently serves as Representative Director of Seino Holdings Co., Ltd. A subsidiary of the Company recorded 17 million yen of commission fee for instore delivery services, etc., received from two subsidiaries of the said company (Seino Transportation Co., Ltd. and another company) for the most recent fiscal year. The amount accounted for 0.007% of the total consolidated operating revenue of the Company, and therefore he satisfies the "Criteria for Independence for External Directors and Audit & Supervisory Board Members" of the Company. For the "Criteria for Independence for External Directors and Audit & Supervisory Board Members" of the Company, please see "Criteria for Independence for External Directors and Audit & Supervisory Board Members" set forth as follows hereafter.
 - The Company has entered into a liability limit agreement with each of Ms. Etsuko Okajima and Mr. Masahiro Muroi under which his/her liability shall be limited to the minimum amount provided for in laws and regulations. In the event that Ms. Etsuko Okajima, Mr. Yoshitaka

Taguchi and Mr. Masahiro Muroi are elected as External Directors, the Company plans to continue or enter into a liability limit agreement with each of them. The maximum amount of liability for damages under such agreement shall be the higher of a predetermined amount of 10 million yen or more or the amount set by the laws and regulations, provided Proposal 2: Partial Amendments to the Articles of Incorporation is approved.

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

The term of office of Audit & Supervisory Board Member Mr. Tetsuji Sunami, one (1) of current four (4) Members, will expire at the close of this General Meeting.

Accordingly, the Company would like to propose to elect one (1) Audit & Supervisory Board Member.

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

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

Name (Date of Birth)	(Brief History and Important Positions at Other Organizations Concurrently Assumed, If Any)	Number of Shares Held
<p>Nariaki Fuse (June 3, 1959) 【New appointment】</p>	<p>Mar. 1982 Joined the Company Feb. 2005 General Manager, Customer System Development Division, M&C SYSTEMS CO., LTD. Apr. 2007 Director, M&C SYSTEMS CO., LTD. Apr. 2011 Executive Officer, the Company Managing Director, M&C SYSTEMS CO., LTD. Apr. 2013 President and Representative Director, M&C SYSTEMS CO., LTD. Jun. 2013 Director and Executive Officer, the Company Apr. 2015 Senior Executive Officer In charge of Audit and Information Systems Apr. 2016 Senior Executive Officer, CIO In charge of Audit</p> <p>Reasons for nomination as a candidate for Audit & Supervisory Board Member</p> <p>Mr. Nariaki Fuse has ample business experience in information system business of the Group. He also has management experience as Senior Executive Officer, and is well-versed in a variety of businesses of the Group. Based on the above reasons, the Company believes that he can contribute to fair audit as Audit and Supervisory Board Member of the Company, and has nominated him as a candidate for Audit & Supervisory Board Member.</p>	<p>9,800</p>

Note: There is no special interest between the candidate and the Company.

Proposal 5: 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 81st Ordinary General Meeting of Shareholders of the Company held on June 26, 2017 will be in effect until the start of this General Meeting.

For the purpose of preparing for 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.

The candidate for Substitute Audit & Supervisory Board Member is as follows:

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

- Notes:
1. There is no special interest between the candidate and the Company.
 2. Mr. Akira Nozaki is a candidate for Substitute External Audit & Supervisory Board Member of the Company. In the event that his election is approved and he assumes the post of External Audit & Supervisory Board Member, the Company plans to submit an Independent Officer Registration Statement to the Tokyo Stock Exchange, Inc. that designates him as an independent audit & supervisory board member.
 3. In the event that Mr. Akira Nozaki is elected, the Company plans to enter into a liability limitation agreement with him at the time of his assumption of office as External Audit & Supervisory Board Member. The maximum amount of liability for damages under such agreement shall be the higher of a predetermined amount of 10 million yen or more or the amount set by the laws and regulations, provided Proposal 2: Partial Amendments to the Articles of Incorporation is approved.

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

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

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

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

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

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

- *3 A “major customer” is defined as an entity that fulfills one of the following conditions:
- a. A customer group (the corporate group to which the customer that serves as the direct transaction counterparty belongs) to which the Company, its subsidiaries, or its affiliates provide products or services and for which the total amount of transactions with the customer group equated to 10 million yen or more and represented more than 2% of the total consolidated operating revenue of the Company in the most recently completed fiscal year.
 - b. A customer group possessing liabilities that are associated with the Company, its subsidiaries, or its affiliates and that equated to 10 million yen or more and represented more than 2% of the consolidated total assets of the Company as of the end of the most recently completed fiscal year.
 - c. A financial group (the financial group to which the customer that serves as the direct transaction counterparty belongs) from which the Company, its subsidiaries, or its affiliates procure funds through borrowings and from which the total amount of funds borrowed represented more than 2% of the consolidated total assets of the Company as of the end of the most recently completed fiscal year.
- *4 A “large amount of monetary payments or other financial assets” means monetary payments or other financial assets, the total amount of which is 10 million yen or more within the most recent fiscal year.
- *5 A “relative” means a spouse of, and any family member who has relation within the second degree with, the individual.
- *6 “Important persons involved in operation” refers to directors, executive officers, and employees with operational execution responsibilities ranked as division manager or higher, or individuals with similar operational execution authority.
- *7 “Interrelationship of external officers” refers to a relationship whereby a person involved in operation of the Company, its subsidiaries and its affiliates serves as an external officer of another company, and a person involved in operation of the said company serves as an external officer of the Company.

End

MARUI GROUP DIGEST 2017

- April
 - Issued EPOS card's first Tohoku area facility collaborative card, "ELM EPOS card" (Goshogawara City, Aomori)

- May
 - Participated in TOKYO RAINBOW PRIDE 2017
 - Ranked No.1 in the Combined and Buy Side rankings among retail sector companies in the Best IR Companies category released by U.S. Financial Industry Magazine "Institutional Investor"
 - Recognized in the "Companies Exhibiting Excellence in Promoting Women's Empowerment" in the "SMBC Nadeshiko Loans and Private Placement Bonds Selection"

- June
 - Issued "GINTAMA EPOS card"
 - Issued a new EPOS card designed by "PARAART" artist with collaboration with SHOUGAISHA JIRITSU SUISHIN KIKOU ASSOCIATION

- July
 - Selected for the first time as an index component of "FTSE4Good Index Series"
 - Chosen for inclusion for all three ESG Indexes selected by GPIF

- August
 - Held "Inclusion Fes 2017" as a venue to raise awareness of employees and "experience and feel" diversity

- September
 - Issued "GODZILLA EPOS card"
 - Selected as in index component of "Dow Jones Sustainability Asia Pacific Index (DJSI Asia Pacific)", one of Socially Responsible Investment (SRI) Index Series
 - Opened "KITCHEN GARDEN 350" at Kitasenju Marui

- October
 - Strengthened Business Alliance with Laxus Technologies Inc., who operates Japan's largest bag sharing service "Laxus"
 - Issued "GTN EPOS card," Japan's first credit card available only to foreigners
 - Opened the world's first GODZILLA official shop "GODZILLA STORE Tokyo" at Shinjuku Marui annex

- November
 - Opened "KARITOKE," a real store of designer-brand watch rental service at Yurakucho Marui

- December
 - Opened "Amazon Holiday 2017 Pop-UpStore" at Shibuya Marui and Modi for a limited period

- January
 - Ranked first in the "retail and restaurants category" in the "21st Nikkei Corporate Environmental Management Survey" conducted by Nikkei Inc.

- February
 - Included, for the first time, as "Yearbook Member" in the "RobecoSAM Sustainability Yearbook 2018"
 - Selected for the first time in the "2018 Health and Productivity Stock Selection," a joint program launched by the Ministry of Economy, Trade and Industry and Tokyo Stock Exchange, Inc.

- March
 - Issued "KITTE MARUNOUCHI EPOS card"
 - Issued "SHIN TENNIS NO OJISAMA EPOS card"
 - Selected for the first time in the "Nadeshiko Brand" and "New Diversity Management Selection 100" in 2018
 - Received, for the first time among retail companies in Japan, certification of the "Science Based Targets (SBT) Initiative" in the recognition of MARUI GROUP's target of reduction in greenhouse gas emissions

(Attached Materials)

Business Report

(For the fiscal year from April 1, 2017 to March 31, 2018)

1. Information on the Status of Marui Corporate Group

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

In the consumption environment, a shift in consumption from “goods” to “experiences” has further progressed and there is continued growth seen in the EC market in the retail sector. However, there is a potential risk of a future decline in business models that rely on real stores focused on merchandise sales.

In the credit market, while infrastructure development has progressed in preparation of the 2020 Olympics and Paralympic Games and markets are expected to grow, there will be a possibility that markets will drastically change due to innovation in financial services driven by new technology.

In order to respond to these business environment changes, the Group has been evolving its unique business models where retailing and financing are integrated to enhance corporate value.

In the retailing segment, the Group is promoting a shift from the department store-type stores to real-estate-type stores as well as developments of SC-type stores under fixed-term lease contracts, whereby conversion from purchases commitment to fixed-term lease contracts are conducted. Through such initiatives, the Group will strive to meet customer needs and stabilize revenue as well as pursue its unique omni-channel strategy with an emphasis on EC.

In the FinTech segment, with an aim to increase membership of the EPOS card nationwide, the Group has pursued business alliances with commercial facilities and contents-related companies to achieve both the maintaining of high profitability and expanding of business scale.

Through these initiatives, total group transactions for the fiscal year under review increased by 13% from the previous fiscal year to 2,189.4 billion yen, marking the first time to exceed 2,000 billion yen. Revenue increased by 1% from the previous fiscal year to 239.0 billion yen, and operating income increased by 13% from the previous fiscal year to 35.2 billion yen, which is an increase in operating income for nine consecutive fiscal years. In addition, net income attributable to owners of parent increased by 12% from the previous fiscal year to 20.9 billion yen, which is an increase in net income attributable to owners of parent for seven consecutive fiscal years. The Group recorded increases both in revenue and income for the first time in four fiscal years.

As a result, EPS (earnings per share) for the fiscal year under review increased by 16% and 12.9 yen from the previous fiscal year to 93.2 yen, and ROE (return on equity) increased by 0.9 % from the previous fiscal year to 7.6%, both achieving the plan due to profit growth and capital policies. ROIC (return on invested capital) also increased by 0.1% from the previous fiscal year to 3.2% due to steady progress on a shift to the business and capital structure aimed at corporate value creation under the mid-term management plan.

(Consolidated financial results for the fiscal year ended March 31, 2018)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Year on Year	Increase (Decrease) from the previous fiscal year
EPS (Yen)	70.7	80.2	93.2	116%	12.9
ROE (%)	6.0	6.7	7.6	-	0.9
ROIC (%)	3.3	3.1	3.2	-	0.1
	(Billions of yen)	(Billions of yen)	(Billions of yen)	(%)	(Billions of yen)
Total Group Transactions	1,703.4	1,933.7	2,189.4	113	255.7
Revenue	245.9	237.0	239.0	101	2.0
Gross Profit	160.0	166.0	174.4	105	8.4
[Gross Profit Margin (%)]	[65.1]	[70.0]	[73.0]	[-]	[3.0]
Selling, General and Administrative Expenses	130.4	134.7	139.2	103	4.5
Operating Income	29.6	31.3	35.2	113	4.0
Ordinary Income	29.2	31.1	35.1	113	4.0
Net Income Attributable to Owners of Parent	17.8	18.7	20.9	112	2.2

Retailing segment

In the retail segment, due to continued development of SC-type stores under fixed-term lease contracts, the fixed-term lease contract conversion ratio as of March 31, 2018 was 87% (25% increase from the end of the previous fiscal year), exceeding the plan. The progress of conversion to SC-type stores under fixed-term lease contracts has been facilitating a shift in the composition of store categories from the present focus on apparel to lifestyle categories focused on restaurants, services and sundries, leading to an increase in the number of visitors.

Moreover, through strengthened collaboration with business partners, including sharing of their inventory information, transaction volume in the EC business grew from the previous fiscal year.

While operating income decreased in the platform business from the previous fiscal year, in part owing to a deteriorating order environment, stores and omni-channel business saw an increase, supported by an improvement in revenue by conversion to fixed-term lease contracts, absorbing stagnant sales in retail spaces. As a result, operating income in the overall retailing segment increased by 1.1 billion yen from the previous fiscal year, marking the first rise in two years.

FinTech segment

In the FinTech segment, in order to increase EPOS card membership, the Company has been holding promotional activities at Marui stores, rolling out collaboration with commercial facilities nationwide, and pursuing business alliances in high-growth fields, such as EC, service contents-related areas.

The number of card memberships totaled 6,570 thousand members, a 3% increase from the previous fiscal year. The number of Platinum/Gold card memberships grew significantly to 1,840 thousand members, a 17% increase from the previous fiscal year, due to tireless efforts to increase regular customers.

Transaction volume in card shopping continued to grow significantly to 1,600.9 billion yen, a 15% increase from the previous fiscal year, and service transaction volume such as rent guarantee steadily increased to 225.1 billion yen, a 20% increase from the previous fiscal year. The balance of revolving payments and installment payments grew favorably to 300.1 billion yen, a 17% increase from the previous fiscal year due to initiatives to improve customer convenience.

As a result, operating income in the FinTech segment for the fiscal year under review increased by 3.2 billion yen to 30.3 billion yen, an increase both in revenue and income for six consecutive fiscal years.

(Information on the status of the FinTech segment for the fiscal year ended March 31, 2018)

	Fiscal year ended March 31, 2017 (10Thousands of persons)	Fiscal year ended March 31, 2018 (10Thousands of persons)	Year on Year (%)	Increase (Decrease) from the previous fiscal year (10Thousands of persons)
Number of New Card Memberships	74	75	101	1
[Of which, from outside the Group]	[17]	[19]	[114]	[2]
Number of Card Memberships	636	657	103	21
Platinum / Gold	157	184	117	27
	(Billions of yen)	(Billions of yen)	Year on Year (%)	(Billions of yen)
FinTech Transactions	1,723.3	1,972.5	114	249.2
Card Shopping	1,390.6	1,600.9	115	210.3
[Outside the Group]	[1,274.7]	[1,489.3]	[117]	[214.6]
Cash Advance	136.3	138.0	101	1.7
Financial services	187.9	225.1	120	37.2
Balance of Operating Receivables	488.8	548.0	112	59.3
Balance of Revolving Payments and Installment Payments	255.5	300.1	117	44.6

(Segment Information)

(Millions of yen)

Category	Retailing Segment	FinTech Segment	Total	Adjustments	Consolidated
Revenue					
To Outside Customers	132,241	106,758	238,999	—	238,999
Inter-Segment Revenue or Transferred Revenue	5,839	2,187	8,026	(8,026)	—
Total	138,081	108,945	247,026	(8,026)	238,999
[Year on Year (%)]	[93.2]	[112.2]	[100.7]	[—]	[100.8]
Segment Profit	8,826	30,310	39,137	(3,894)	35,243
[Year on Year (%)]	[113.8]	[111.8]	[112.2]	[—]	[112.8]
Operating Margin (%)	6.4	27.8	—	—	14.7

(Detail of Total Group Transactions)

Category	Total Transactions (Millions of yen)	Composition Ratio (%)	Year on Year (%)
Product sales	58,876	2.7	82.0
Consignment sales	85,691	3.9	64.3
Rent revenues and others	159,862	7.3	164.5
Retailing-related services	24,055	1.1	99.9
Retailing segment	328,486	15.0	100.7
Card shopping	1,600,890	73.1	115.1
Cash advances	138,001	6.3	101.3
Financial services	225,091	10.3	119.8
IT and others	8,498	0.4	100.0
FinTech segment	1,972,482	90.1	114.5
Eliminations	(111,594)	(5.1)	—
Total	2,189,374	100.0	113.2

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

(2) Capital Investments

The capital investments of the Group were mainly for the renovation of sales floors at existing stores, the introduction of automated warehouse for mail-order business and the upgrading of information terminals. The total expenditures on capital investments during the fiscal year under review amounted to 10,250 million yen.

(3) Fund Procurement

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

During the consolidated fiscal year under review, the Group raised funds of 66.0 billion yen in loans from financial institutions and 20.0 billion yen from the issuance of bonds in response to an increase in operating receivables of the FinTech segment and the repayment of loans. Additionally, the Group increased the amount of funds raised through the securitization of receivables by 15.0 billion yen.

(4) Issues to be Addressed

■ Mid-to-long term management strategies

Our corporate philosophy is to “continue evolving to better aid our customers” and we “equate the development of our people with the development of our company.” Based on this philosophy, our mission is to contribute to co-creation of a flourishing and inclusive society that offers happiness to everyone including customers, shareholders, other investors, communities, the greater society, business partners, and employees.

The Group aims to further improve corporate value generated as its outcome, and under the five-year mid-term management plan with the fiscal year ending March 31, 2021 as the final year, we will strive to achieve targets of 10% or higher in ROE (return on equity), 4% or higher in ROIC (return on invested capital), and 130 yen or more in EPS (earnings per share) for the final year.

■ Initiatives targeting achievement of the mid-term management plan

In the retailing segment, the Company will continue to transition from a department store-type stores to a shopping center SC-type stores by pursuing the conversion to SC-type stores under fixed-term lease contracts, to expand restaurant and service categories. We will respond to the shift in consumer needs from “goods” to “experiences” through such initiatives and also make efforts to improve profitability when renewing lease contracts with tenants in the future.

With regard to EC business, we are planning to increase floor space at logistics centers in response to increase in the number of transactions, pursue work efficiency utilizing robots, and upgrade merchandise management systems, for further growth. Furthermore, in response to increased use of smartphones, an upgrade of user interface (UI) will be implemented through co-creation with customers.

In the FinTech segment, the Company will continue to aim to achieve both the maintaining of high profitability and expanding of business scale. With regard to the EPOS card, we will strengthen promotional activities at Marui stores and endeavor to expand business collaboration. In addition to traditional business partners who are mainly centered on goods and real stores, business alliances in areas of experiences and the Internet will be promoted to further increase the number of new card memberships. Our target number of new card memberships for the fiscal year ending March 31, 2021 is 1 million persons.

Moreover, for our rent guarantee business, which has been steadily growing since its launch in the fiscal year ended March 31, 2009, we will utilize collaboration with major property management companies to target 10.0 billion yen of revenue for the fiscal year ending March 31, 2021. Going forward, we will strengthen such businesses where profit can be generated without increasing assets to improve capital efficiency.

■Future direction for new growth

Going forward, the Group will take initiatives to increase corporate value through development of businesses that help solve social issues, by taking advantage of our strength in a “three-in-one model that combines real stores, credit cards, and online shopping.” With regard to investment in new businesses, our focus will be on social issues which can be turned into businesses with the Company’s unique business model, and we will also actively invest in start-up companies with which we can co-create such businesses.

As we have invested in the past in the anime business, etc., with certain positive outcomes, we will launch six new business projects all at once in this fiscal year, namely, “sharing,” “share house,” “development of new business in the restaurant category,” “personalization in sizes,” “lifestyle application and wallet,” and “financial inclusion,” and will develop new businesses at a fast pace.

Moreover, as the most important investment for future growth, we will accelerate investment in human resource development. We will further enhance our support for our employees to voluntarily learn and grow through activities such as a next-generation executive development program, which was started in the previous year, secondment to start-up companies, deployment to business schools, and project activities, seminars and study groups.

For financial inclusion, believing it is our mission to provide the financial services that had been only available to the wealthy, to everyone regardless of their income or generation, we have taken active initiatives to realize this mission. During the fiscal year ended March 31, 2018, we started, as our first step, to issue credit cards dedicated for foreign students residing in Japan. In the fiscal year ending March 31, 2019, we will enter the securities business.

Our decision to enter into the securities business came in response to future concerns among young generation. As many of them are anxious about the future, they are frugal and active in saving. However, many of them are reluctant in investment because they think that investment “seems difficult,” or that “they are not knowledgeable.” In Japan, cash and deposits reportedly amount to 900 trillion yen, and the nation’s ratio of cash and deposits to its total financial assets is the highest among

developed nations. As a result, growth in financial assets is lower than that of other countries, and the Financial Services Agency is promoting a shift “from saving to investment.” The Group’s new businesses will aim to solve such social issues.

As a new business, we will provide “everyone including young people” with an “investment trust qualified for *Tsumitate* (Accumulation) NISA” “paid by EPOS card’s credit payment.” Purchasing an investment trust by using a credit card is the first scheme in Japan, and we will establish a security company to realize the scheme.

By utilizing the Group’s three-in-one model that combines “6.5 million card members,” “stores visited by 200 million customers per year,” and “website as a platform,” we will strive to provide our service to 1 million customers and achieve 1 trillion yen of total asset balance in 10 years.

Furthermore, the Group is making efforts to respond to the large market of cash settlements in small amounts. Currently, credit cards are mainly used as a convenient payment method for settlements of large amounts, and electric money is used for settlements in small amounts at large scale stores. As we expect the QR code to become a widespread payment method in the future for settlements in small amounts at small-scale stores, the Group will enter into the market of settlements for small amounts by introducing a smartphone application for QR code payments from the fiscal year ending March 31, 2019.

The credit card market is expected to continue to grow, supported by long-term changes in economic structures including the progression of EC and the expansion of the sharing economy. Amid this situation, EPOS Card Co., Ltd. will promote use in EC in collaboration with GMO Payment Gateway, Inc., and strengthen the area of recurring transactions by partnering with property management companies such as ABLE INC., who will soon be a new business partner, for rent payment by credit card, and by working with securities companies for monthly *Tsumitate* (Accumulation) NISA contributions to be paid by credit card, to further increase its lifetime value (lifetime revenue of a business).

■Capital policies and shareholder returns

The Group aims to develop optimal capital composition suitable to the Group’s innovation, and realize the financial structure where ROIC (Return on investment capital) stably exceeds capital costs.

For increasing operating receivables in the FinTech segment, we are promoting procurement of low-cost interest-bearing debt. We have set an optimal capital composition of interest-bearing debt to be about 90% of operating receivables, and a shareholders’ equity ratio of about 30%.

Meanwhile, as the most recent balance of operating receivables is increasing more than planned, we will strive to reduce the risks pertaining to diversification of procurement by expanding securitization of operating receivables, and also aim for further enhancement of corporate value by controlling increases in total assets and liabilities and improving capital efficiency.

For the future direction of shareholder returns, the Company will make a gradual shift from the acquisition of treasury stock to dividend payments. A total consolidated return ratio of 70% is our guideline as it would allow the shareholders’ equity ratio to remain at 30%. We will endeavor to gradually increase the consolidated payout ratio up to around 55%, aiming for a continued increase in dividends over an extended period.

■Initiatives for ESG

Since 2016, the Group has taken the first step toward Co-Creation Sustainability Management, which is future-oriented management that integrates considerations for business and the environment, solutions for social issues, and initiatives for governance. Under Co-Creation Sustainability Management, we defined the following four core themes by reviewing our businesses, that have been pursued to date with a focus on “everyone” through the concept of “inclusion” and by associating them with the United Nations Sustainable Development Goals (SDGs).

(1) Customer Diversity & Inclusion

We will seek to develop products, services, and stores that bring joy to all customers, regardless of their age, gender, or physical characteristics.

(2) Workplace Inclusion

Based on the MARUI GROUP's corporate philosophy of striving to "continue evolving to better aid our customers" and "equate the development of our people with the development of our company," we will provide all employees with venues through which they can excel.

(3) Ecological Inclusion

We will develop eco-friendly businesses that are considerate of natural capital and propose ecologically sound lifestyles that are in harmony with nature and the environment.

(4) Co-Creation Corporate Governance

We will develop governance frameworks that include multi stakeholders in order to achieve harmony between the interests and the happiness of all stakeholders.

Inclusion entails including and reaching out to all those who have previously been excluded, and this concept is congruent with the direction set by the principles of the SDGs.

The Marui Group is in a quest to help build a flourishing and inclusive society that offers happiness to all, and will aim to make proactive contributions to the accomplishment of these goals through co-creation with all of its stakeholders.

For details of the Group's initiatives for sustainability, please refer to the "Co-Creation Sustainability Reports." (<http://www.0101maruigroup.co.jp/en/sustainability/lib/s-report.html>)

We will endeavor to seek further improvement in corporate value as described above. We sincerely ask for continued support and encouragement from our shareholders.

(5) Assets and Profits and Losses

Category	79th Fiscal year ended March 31, 2015	80th Fiscal year ended March 31, 2016	81st Fiscal year ended March 31, 2017	82nd Fiscal year ended March 31, 2018
Total Group transactions * (Millions of yen)	1,469,111	1,703,353	1,933,685	2,189,374
Net Sales (Millions of yen)	404,947	-	-	-
Revenue * (Millions of yen)	249,847	245,867	237,022	238,999
Ordinary income (Millions of yen)	28,002	29,163	31,139	35,145
Profit attributable to owners of parent (Millions of yen)	16,036	17,771	18,724	20,907
Earnings per share (Yen)	58.87	70.68	80.24	93.18
ROE (%)	5.2	6.0	6.7	7.6
Total assets (Millions of yen)	675,627	730,126	806,575	867,150
Net assets (Millions of yen)	307,255	282,101	274,339	274,900

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

(6) Major Subsidiaries of the Group

i. Major Subsidiaries of the Group

Company Name	Capital Stock	Percentage of Ownership	Principal Business
MARUI Co., Ltd.	(Millions of yen) 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: 1. The figure in square brackets “[]” in the Percentage of Ownership column indicates the share of indirect ownership as an included number.

2. Epos Card Co., Ltd. increased its capital stock to 500 million yen as of April 1, 2018.

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

Company Name	Address	Total Amount of Book Value	Total Assets of the Company
MARUI Co., Ltd.	3-2, Nakano 4-chome, Nakano-ku, Tokyo	(Millions of yen) 222,529	(Millions of yen) 763,339

(7) Lines of Business of the Group

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

(8) Major Business Hubs

i. Head Office

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

ii. Stores

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

(9) Matters concerning Employees

Business Category	Number of Employees	Comparison with the Previous Fiscal Year End
	(Number of Person)	(Number of Person)
Retailing segment	3,906	335 (decrease)
FinTech segment	1,365	118 (increase)
Corporate (Common functions)	277	33 (increase)
Total	5,548	184 (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 1,642.
2. Corporate (Common functions) refers to corporate management departments and others that cannot be included in any specific segment.

(10) Main Loan Lenders

Lenders	Outstanding Balance
	(Millions of yen)
Syndicated loan	110,000
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	95,900
Sumitomo Mitsui Banking Corporation	50,000
Mitsubishi UFJ Trust and Banking Corporation	31,100
Mizuho Bank, Ltd.	22,300
Development Bank of Japan Inc.	22,000

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

2. Matters concerning the Shares of the Group

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

(2) Number of Shares Issued and Outstanding: 233,660,417 shares (including 12,767,206 shares of treasury stock)

(3) Number of Shareholders: 24,302 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)	31,735	14.4
Japan Trustee Services Bank, Ltd. (Trust Account)	17,242	7.8
Japan Trustee Services Bank, Ltd. (Trust Account 9)	6,220	2.8
Aoi Real Estate Company	6,019	2.7
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,808	2.6
UBS AG LONDON A/C IPB SEGREGATED CLIENT ACCOUNT	4,171	1.9
Toho Co., Ltd.	3,779	1.7
Trust & Custody Services Bank, Ltd.(Securities Investment Trust Account)	3,770	1.7
Japan Trustee Services Bank, Ltd. (Trust Account 5)	3,603	1.6
STATE STREET BANK WEST CLIENT-TREATY 505234	3,529	1.6

Notes: 1. The Company holds 12,767 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 of 12,767 thousand shares.
 3. The calculation for the percentage of shareholding includes 502 thousand shares held by the Officer Remuneration BIP Trust and Stock Benefit ESOP Trust

(5) Other Significant Matters concerning Equity

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

• Treasury stock acquired as authorized at the Board of Directors' Meeting held on May 11, 2017:

Type and total number of shares acquired: 8,564,700 shares of common stock

Total cost of acquisition: 14,999,850,900 yen

Period of acquisition: From May 12, 2017 to March 22, 2018

3. Matters concerning Officers of the Group

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

Name	Position	Position in Charge and Important Position of Other Organizations Concurrently Assumed
Hiroshi Aoi	President and Representative Director, and 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.
Masahiro Muroi	Director	External Director, Ryoden Corporation
Masao Nakamura	Director and Managing Executive Officer	Responsible for FinTech Business President and Representative Director, AIM CREATE CO., LTD.
Tomoo Ishii	Director and Managing Executive Officer	Chief Operating Officer, Healthcare Promotion In charge of General Affairs, Personnel and Healthcare Promotion President and Representative Director, MOVING CO., LTD.
Hirotsugu Kato	Director and Senior Executive Officer	CDO General Manager, IR Division In charge of Corporate Planning and ESG Promotion
Hideaki Fujizuka	Audit & Supervisory Board Member (Full time)	
Tetsuji Sunami	Audit & Supervisory Board Member (Full time)	
Tadashi Ooe	Audit & Supervisory Board Member	Attorney External Audit & Supervisory Board Member, Canon Inc. External Director, Jeco Co., Ltd. Outside Director, NISSAN CHEMICAL INDUSTRIES. LTD.
Takehiko Takagi	Audit & Supervisory Board Member	Tax Accountant External Audit & Supervisory Board Member, Totenko Co., Ltd. External Audit & Supervisory Board Member, KAWADA technologies, Inc.

- Notes:
1. Directors, Mr. Koichiro Horiuchi, Ms. Etsuko Okajima and Mr. Masahiro Muroi 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 Directors Mr. Koichiro Horiuchi, Ms. Etsuko Okajima and Mr. Masahiro Muroi, 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. Audit & Supervisory Board Member, Mr. Tadashi Ooe is a qualified attorney and well-versed in corporate law.
6. Audit & Supervisory Board Member, Mr. Takehiko Takagi is a certified public tax accountant and has an appreciable extent of knowledge in finance and accounting.
7. There were changes in directors' positions, duties and important concurrent offices as of April 1, 2018.

Name	Previous	Present
Tomoo Ishii	Director and Managing Executive Officer, Chief Operating Officer, Healthcare Promotion In charge of General Affairs, Personnel and Healthcare Promotion President and Representative Director, MOVING CO., LTD.	Director and Senior Managing Executive Officer, CHO, In charge of Audit, General Affairs, Personnel and Healthcare Promotion President and Representative Director, MOVING CO., LTD.

(Reference)

Executive Officers (excluding those who concurrently serve as Director) are as follows. (As of April 1, 2018)

Name	Position	Position in Charge
Motohiko Sato	Senior Managing Executive Officer	CFO In charge of IR and Finance
Toshikazu Takimoto	Managing Executive Officer	CIO Responsible for Retailing Business President and Representative Director, M&C SYSTEMS CO., LTD.
Takashi Wakashima	Managing Executive Officer	In charge of Sustainability, Real Estate Business and Architecture
Hajime Sasaki	Senior Executive Officer	President and Representative Director, MARUI Co., Ltd.
Yoshinori Saito	Senior Executive Officer	President and Representative Director, Epos Card Co., Ltd.
Yoshiaki Kogure	Executive Officer	President and Representative Director, MARUI FACILITIES Co., Ltd.
Masahiro Aono	Executive Officer	Managing Director, MARUI Co., Ltd.
Yuko Ito	Executive Officer	General Manager, Group Design Center and Architecture Division Director and Deputy General Manager, Space Production Business Headquarters, AIM CREATE CO., LTD.
Mayuki Igayama	Executive Officer	Director and General Manager, Omni-Channel Retailing Division, MARUI Co., Ltd.
Junko Tsuda	Executive Officer	Director and Store Manager, Marui Family Mizonokuchi, MARUI Co., Ltd.
Miyuki Kawara	Executive Officer	Director and Store Manager, Ueno Marui, MARUI Co., Ltd.
Masahisa Aoki	Executive Officer	General Manager, New Business Development Division In charge of Anime Business

(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 (3)	219 (38)
Audit & Supervisory Board Member (External Audit & Supervisory Board Member)	4 (2)	50 (15)
Total	11	270

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

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

Members

- The amount of compensation paid to individual Directors is decided by the Nomination and Compensation Committee and set within the limit approved at general meeting of shareholders.
- The Nomination and Compensation Committee consists of three (3) or more members, two (2) of which are, in principle, External Directors, and has been set to improve the transparency and objectivity of deliberation process related to compensation plans for Directors.
- Compensation for Directors has been set at a level that will serve as an adequate motivation for Directors to properly perform their duties of making management decisions and providing supervisory functions.
- Compensation for Directors includes fixed compensation as well as performance-linked compensation. The portion of compensation linked to performance is meant to provide incentive for pursuing sustainable growth for the Company. However, external directors will only receive fixed compensation based on their position to ensure that they maintain an independent standpoint.
- Compensation for Audit & Supervisory Board Members consists only of fixed compensation and is decided through discussion among the Audit & Supervisory Board and set within the limit approved at a general meeting of shareholders.

(4) Information on External Officers

i. Principal Activities of External Officers

Position	Name	Principal Activities of External Officers
Directors	Koichiro Horiuchi	Attended all 10 meetings of the Board of Directors held during the fiscal year under review. Raised questions and made comments, mainly from the perspective of an experienced manager, and, as necessary, expressed his opinions in a timely and appropriate manner.
	Etsuko Okajima	Attended all 10 meetings of the Board of Directors held during the fiscal year under review. Raised questions and made comments, mainly from the perspective of an experienced manager, and, as necessary, expressed her opinions in a timely and appropriate manner.
	Masahiro Muroi	Attended all 8 meetings of the Board of Directors held after his appointment at the 81st Ordinary General Meeting of Shareholders. Raised questions and made comments, mainly from the perspective of an experienced manager, and, as necessary, expressed his opinions in a timely and appropriate manner.
Audit & Supervisory Board Members	Tadashi Ooe	Attended all 10 meetings of the Board of Directors and all 16 meetings of the Audit & Supervisory Board held during the fiscal year under review. Expressed his opinions in a timely and appropriate manner based mainly on his professional knowledge as an attorney. In addition, held meetings periodically with the Representative Director; exchanged opinions regarding risks confronting the Company, major issues related to audit of the Company, and other matters; and is working to deepen mutual understanding and trust.
	Takehiko Takagi	Attended all 10 meetings of the Board of Directors and all 16 meetings of the Audit & Supervisory Board held during the fiscal year under review. Expressed his opinions in a timely and appropriate manner based mainly on his professional knowledge as a certified public tax accountant. In addition, held meetings periodically with the Representative Director; exchanged opinions regarding risks confronting the Company, major issues related to auditing of the Company, and other matters; and is working to deepen mutual understanding and trust.

ii. Outline of the Content of Liability Limitation Contracts

The Company concludes contracts with each of External Directors and External Audit & Supervisory Board Members to limit their liability for damages, as provided under Article 423, Paragraph 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.

1. Matters concerning Accounting Auditors

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

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

1. Remuneration paid for services rendered as accounting auditors for the fiscal year under review: 97 million yen
2. Total cash and other remuneration to be paid by the Company and its subsidiaries to the accounting auditors: 143 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.

2. Company's Systems and Status of Operation

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

○ Systems

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

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

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

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

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

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

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

with laws, regulations and company rules.

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

- e. By appointing the Company's Audit & Supervisory Board Members as the same of its principal subsidiaries, information sharing and accurate confirmation of status can be realized.

- o **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 documents business content and anticipated risks of, and measures therefor to be taken by, each group company. Also, by monitoring the status of operation of such measures through self-assessment and internal audit, the Group promotes highly effective internal control.
- c. At each of the Group companies, various rules have been developed to clarify operation and rules from internal control perspective, and the rules are reviewed and revised as necessary.
- d. 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. In the fiscal year under review, the Group revised the Code of Conduct of the Group by integrating initiatives and concepts the Group has forged, to set forth contribution to local community and society, respect for human rights, elimination of inappropriate transactional conducts, protection and management of information, etc.
- 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, in addition to practical trainings tailored to each business area.
- 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 6 Committees of Public Relations IR Committee, Internal Control Committee, Environment CSR Promotion Committee, Personal Information Protection Promotion Committee, Safety Control Committee and Insider Trading Prevention Committee, which were set up to manage high-risk areas for business operation.
- b. The Group holds meetings of the Compliance Promotion Board which supervises activities of the committees and recognizes the status of risk control of each group company. In the fiscal year under review the Group held meetings of the Compliance Promotion Board twice.

- iv. Directors' execution of their duties

- a. The Group ensures that Directors execute their duties lawfully and properly in accordance with the Group's internal regulations such as the Code of Conduct of the Group and Regulations for Officers.
- b. The Group appoints three (3) External Directors who have extensive experience and expertise outside the Group and have satisfied the Group's Criteria for Independence of External Directors and Audit & Supervisory Board Members to reinforce the supervisory functions of the Board of Directors and improve the transparency of management.
- c. The Board of Directors conducts proper deliberations pursuant to the Group's authorization rules and engages in fulfilling discussions on individual subjects such as the Group's strategies. In the fiscal year under review, the Board of Directors held its meetings ten (10) times.
- d. The Group has set up the Management Committee that is comprised of Executive Officers appointed by the Board of Directors and seeks to accelerate operational decision-making by commissioning such committee to make important management decisions regarding execution of duties within the scope of the Group's authorization rules. In the fiscal year under review, the meetings of the Management

Committee were held 17 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 eight (8) 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.

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Treatment of rounding numbers displayed in this report  
Listed amounts are rounded down to the nearest million yen unit, the number of shares are rounded down, and other is rounded to the nearest unit.

**Consolidated Balance Sheet**  
(As of March 31, 2018)

(Millions of yen)

| Item                                 | Amount         | Item                                                              | Amount          |
|--------------------------------------|----------------|-------------------------------------------------------------------|-----------------|
| <b><u>Assets</u></b>                 |                | <b><u>Liabilities</u></b>                                         |                 |
| <b>Current assets</b>                | <b>629,994</b> | <b>Current liabilities</b>                                        | <b>168,431</b>  |
| Cash and deposits                    | 45,448         | Accounts payable-trade                                            | 12,361          |
| Notes and accounts receivable-trade  | 7,006          | Short-term loans payable                                          | 75,331          |
| Accounts receivable-installment      | 402,030        | Current portion of bonds                                          | 10,000          |
| Operating loans                      | 146,011        | Income taxes payable                                              | 5,961           |
| Merchandise                          | 7,489          | Provision for bonuses                                             | 3,940           |
| Deferred tax assets                  | 7,328          | Provision for point card certificates                             | 11,445          |
| Other                                | 26,522         | Reserve for loss from redemption<br>of gift certificates          | 156             |
| Allowance for doubtful accounts      | (11,843)       | Other                                                             | 49,236          |
| <b>Noncurrent assets</b>             | <b>237,156</b> | <b>Noncurrent liabilities</b>                                     | <b>423,818</b>  |
| <b>Property, plant and equipment</b> | <b>176,803</b> | Bonds payable                                                     | 95,000          |
| Buildings and structures             | 64,674         | Long-term loans payable                                           | 305,000         |
| Land                                 | 103,680        | Deferred tax liabilities                                          | 3,315           |
| Construction in progress             | 764            | Provision for loss on interest<br>repayment                       | 6,081           |
| Other                                | 7,684          | Provision for loss on guarantees                                  | 203             |
| <b>Intangible assets</b>             | <b>6,388</b>   | Provision for stock benefits                                      | 363             |
| Software                             | 4,854          | Asset retirement obligations                                      | 874             |
| Other                                | 1,534          | Other                                                             | 12,980          |
| <b>Investments and other assets</b>  | <b>53,963</b>  | <b>Total liabilities</b>                                          | <b>592,249</b>  |
| Investment securities                | 14,999         | <b><u>Net Assets</u></b>                                          |                 |
| Guarantee deposits                   | 32,527         | <b>Shareholders' equity</b>                                       | <b>272,872</b>  |
| Deferred tax assets                  | 3,492          | <b>Capital stock</b>                                              | <b>35,920</b>   |
| Other                                | 2,944          | <b>Capital surplus</b>                                            | <b>91,307</b>   |
|                                      |                | <b>Retained earnings</b>                                          | <b>168,034</b>  |
|                                      |                | <b>Treasury stock</b>                                             | <b>(22,389)</b> |
|                                      |                | <b>Accumulated other comprehensive<br/>income</b>                 | <b>1,561</b>    |
|                                      |                | <b>Valuation difference on available-<br/>for-sale securities</b> | <b>1,563</b>    |
|                                      |                | <b>Deferred gains or losses on hedges</b>                         | <b>(1)</b>      |
|                                      |                | <b>Non-controlling interests</b>                                  | <b>466</b>      |
|                                      |                | <b>Total net assets</b>                                           | <b>274,900</b>  |
| <b>Total assets</b>                  | <b>867,150</b> | <b>Total liabilities and net assets</b>                           | <b>867,150</b>  |

**Consolidated Statement of Income**  
(From April 1, 2017 to March 31, 2018)

(Millions of yen)

| Item                                                 | Amount |                |
|------------------------------------------------------|--------|----------------|
| <b>Revenue</b>                                       |        | <b>238,999</b> |
| Cost of sales                                        |        | 64,593         |
| Gross profit                                         |        | 174,405        |
| Selling, general and administrative expenses         |        | 139,162        |
| <b>Operating income</b>                              |        | <b>35,243</b>  |
| <b>Non-operating income</b>                          |        |                |
| Interest income                                      | 46     |                |
| Dividends income                                     | 353    |                |
| Gain on bad debts recovered                          | 1,122  |                |
| Other                                                | 391    | 1,912          |
| <b>Non-operating expenses</b>                        |        |                |
| Interest expenses                                    | 1,492  |                |
| Financing expenses                                   | 224    |                |
| Other                                                | 293    | 2,011          |
| <b>Ordinary income</b>                               |        | <b>35,145</b>  |
| <b>Extraordinary income</b>                          |        |                |
| Gain on sales of noncurrent assets                   | 1,121  |                |
| Gain on sales of investment securities               | 429    | 1,551          |
| <b>Extraordinary loss</b>                            |        |                |
| Loss on retirement of noncurrent assets              | 1,643  |                |
| Loss on closing of stores                            | 604    |                |
| Impairment loss                                      | 1,184  |                |
| Loss on sales of investment securities               | 1,334  |                |
| Other                                                | 39     | 4,807          |
| <b>Income before income taxes</b>                    |        | <b>31,888</b>  |
| Income taxes-current                                 | 10,765 |                |
| Income taxes-deferred                                | 194    | 10,959         |
| <b>Net income</b>                                    |        | <b>20,929</b>  |
| Net income attributable to non-controlling interests |        | 21             |
| <b>Net income attributable to owners of parent</b>   |        | <b>20,907</b>  |

## Consolidated Statement of Changes in Net Assets

(From April 1, 2017 to March 31, 2018)

(Millions of yen)

|                                                      | Shareholders' equity |                 |                   |                |                            |
|------------------------------------------------------|----------------------|-----------------|-------------------|----------------|----------------------------|
|                                                      | Capital stock        | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| <b>Balance as of April 1, 2017</b>                   | 35,920               | 91,307          | 155,079           | (7,389)        | 274,918                    |
| <b>Changes in the fiscal year:</b>                   |                      |                 |                   |                |                            |
| Dividends                                            |                      |                 | (7,953)           |                | (7,953)                    |
| Net income attributable to owners of parent          |                      |                 | 20,907            |                | 20,907                     |
| Acquisition of treasury stock                        |                      |                 |                   | (15,002)       | (15,002)                   |
| Disposition of treasury stock                        |                      | (0)             |                   | 2              | 2                          |
| Transfer to capital surplus from retained earnings   |                      | 0               | (0)               |                | —                          |
| Changes in items other than shareholders' equity-net |                      |                 |                   |                |                            |
| <b>Total changes in the fiscal year</b>              | —                    | —               | 12,954            | (15,000)       | (2,045)                    |
| <b>Balance as of March 31, 2018</b>                  | 35,920               | 91,307          | 168,034           | (22,389)       | 272,872                    |

(Millions of yen)

|                                                      | Accumulated other comprehensive income                |                                    |                                              | Subscription rights to shares | Non-controlling interests | Total net assets |
|------------------------------------------------------|-------------------------------------------------------|------------------------------------|----------------------------------------------|-------------------------------|---------------------------|------------------|
|                                                      | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Total accumulated other comprehensive income |                               |                           |                  |
| <b>Balance as of April 1, 2017</b>                   | (1,034)                                               | —                                  | (1,034)                                      | 2                             | 453                       | 274,339          |
| <b>Changes in the fiscal year:</b>                   |                                                       |                                    |                                              |                               |                           |                  |
| Dividends                                            |                                                       |                                    |                                              |                               |                           | (7,953)          |
| Net income attributable to owners of parent          |                                                       |                                    |                                              |                               |                           | 20,907           |
| Acquisition of treasury stock                        |                                                       |                                    |                                              |                               |                           | (15,002)         |
| Disposition of treasury stock                        |                                                       |                                    |                                              |                               |                           | 2                |
| Transfer to capital surplus from retained earnings   |                                                       |                                    |                                              |                               |                           | —                |
| Changes in items other than shareholders' equity-net | 2,597                                                 | (1)                                | 2,596                                        | (2)                           | 12                        | 2,607            |
| <b>Total changes in the fiscal year</b>              | 2,597                                                 | (1)                                | 2,596                                        | (2)                           | 12                        | 561              |
| <b>Balance as of March 31, 2018</b>                  | 1,563                                                 | (1)                                | 1,561                                        | —                             | 466                       | 274,900          |

## Notes to Consolidated Financial Statements

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

#### (1) Scope of consolidation

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

Names of principal consolidated subsidiaries:

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

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

MARUI (Shanghai) Co., Ltd., Epos Small Amount and Short Term Insurance Co., Ltd., TSUMITATE SECURITIES PREPARATORY 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 seven non-consolidated subsidiaries above are excluded from the scope of consolidation because each of the sums of their total assets, revenue, net income (an amount prorated to ownership) and retained earnings (an amount prorated to ownership) has no significant impact on the Company's consolidated financial statements.

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

The Company does not apply an equity method for the above seven non-consolidated subsidiaries and the following four affiliates: MIZONOKUCHISHINTOSHI Co., Ltd., Nakano Suncoore 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 mainly stated at cost using the moving-average method.

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

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

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

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

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

###### (c) Lease assets

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

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

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

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

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

## 2. Notes to Consolidated Balance Sheet

|                                                                                                           |                     |
|-----------------------------------------------------------------------------------------------------------|---------------------|
| (1) Accumulated depreciation of property, plant and equipment                                             | 218,974 million yen |
| (2) Guarantee liabilities                                                                                 |                     |
| Loan guarantees for personal loans offered by financial institutions                                      | 24,616 million yen  |
| (3) Balance of securitized receivables                                                                    | 72,750 million yen  |
| (4) Accumulated reduction entry excluded national subsidy from acquisition costs of tangible fixed assets | 66 million yen      |

### 3. Notes to Consolidated Statement of Income

#### Impairment loss

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

(Unit: Millions of yen)

| Purpose | Location                        | Type  | Amount |
|---------|---------------------------------|-------|--------|
| Stores  | Mito<br>Mito-shi, Ibaraki, etc. | Land  | 738    |
|         |                                 | Other | 446    |
| Total   |                                 |       | 1,184  |

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

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

### 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, 2017 | Increase in Shares in the Fiscal Year | Decrease in Shares in the Fiscal Year | Number of Shares as of March 31, 2018 |
|--------------|--------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| Common stock | 233,660,417 shares                   | -                                     | -                                     | 233,660,417 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 26, 2017 | Common stock | 3,900                                      | 17                       | March 31, 2017     | June 27, 2017    |
| Board of Directors Meeting on November 9, 2017            | Common stock | 4,052                                      | 18                       | September 30, 2017 | December 4, 2017 |

Note: 1. Total amount of dividend resolved by the Ordinary General Meeting of Shareholders on June 26, 2017 includes 8 million yen of dividends from the Company's shares owned by Officer Remuneration BIP Trust and Stock Benefit ESOP Trust.

2. Total amount of dividend resolved by the Board of Directors Meeting on November 9, 2017 includes 9 million yen of dividends from the Company's shares owned by Officer Remuneration BIP Trust and Stock Benefit ESOP Trust.

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

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



| Resolution                                                | Share Class  | Total Amount of Dividend (Millions of yen) | Resource for Dividend | Dividend per Share (Yen) | Record Date    | Effective Date |
|-----------------------------------------------------------|--------------|--------------------------------------------|-----------------------|--------------------------|----------------|----------------|
| Ordinary General Meeting of Shareholders on June 25, 2018 | Common stock | 4,417                                      | Retained earnings     | 20                       | March 31, 2018 | June 26, 2018  |

Note: Total amount of dividend to be resolved by the Ordinary General Meeting of Shareholders on June 25, 2018 includes 10 million yen of dividends from the Company's shares owned by Officer Remuneration BIP Trust and Stock Benefit ESOP Trust.

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

## 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. The investment securities are mainly 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, 2018 are shown in the table below.

(Millions of yen)

|                                         | Consolidated Balance Sheets<br>Carrying Amount | Fair Value     | Unrealized Gain/Loss |
|-----------------------------------------|------------------------------------------------|----------------|----------------------|
| (1) Cash and deposits                   | 45,448                                         | 45,448         | -                    |
| (2) Notes and accounts receivable-trade | 7,006                                          | 7,006          | -                    |
| (3) Accounts receivable-installment     | 402,030                                        |                |                      |
| Allowance for doubtful accounts         | (8,024)                                        |                |                      |
|                                         | 394,005                                        | 434,942        | 40,937               |
| (4) Operating loans                     | 146,011                                        |                |                      |
| Allowance for doubtful accounts         | (2,771)                                        |                |                      |
|                                         | 143,239                                        | 162,550        | 19,310               |
| (5) Investment securities               |                                                |                |                      |
| Other securities                        | 12,954                                         | 12,954         | -                    |
| (6) Guarantee deposits                  | 6,173                                          | 6,236          | 62                   |
| <b>Total assets</b>                     | <b>608,829</b>                                 | <b>669,139</b> | <b>60,310</b>        |
| (1) Accounts payable-trade              | 12,361                                         | 12,361         | -                    |
| (2) Short-term loans payable            | 75,331                                         | 75,331         | -                    |
| (3) Current portion of bonds            | 10,000                                         | 10,000         | -                    |
| (4) Income taxes payable                | 5,961                                          | 5,961          | -                    |
| (5) Bonds payable                       | 95,000                                         | 95,140         | 140                  |
| (6) Long-term loans payable             | 305,000                                        | 304,597        | (402)                |
| (7) Derivative transactions             | -                                              | -              | -                    |
| <b>Total liabilities</b>                | <b>503,654</b>                                 | <b>503,392</b> | <b>(261)</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, and (4) 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.

(5) 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.

(6) 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 (7) 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.

(7) 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 (6) above).

2. As it is extremely difficult to determine the fair value of non-publicly traded stocks (in the amount of 1,788 million yen on the consolidated balance sheets) and investments in capital to invest limited partners (in the amount of 256 million yen on the consolidated balance sheet) 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 28,225 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 |
|---------------------------------------------|------------|
| 103,928                                     | 215,080    |

Notes: 1. The amount shown in the consolidated balance sheets equals the cost less accumulated depreciation and accumulated impairment loss.

2. Fair value at the end of the consolidated fiscal year under review is an amount based primarily on real-estate appraisals including index-based adjustments by licensed outside real estate appraisers.

## 7. Notes to Per Share Information

|                          |              |
|--------------------------|--------------|
| (1) Net assets per share | 1,245.22 yen |
| (2) Net income per share | 93.18 yen    |

## 8. Notes to Significant Subsequent Events

Not applicable

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

Non-Consolidated Balance Sheet
(As of March 31, 2018)

(Millions of yen)

Item	Amount	Item	Amount
<u>Assets</u>		<u>Liabilities</u>	
Current assets	363,307	Current liabilities	156,497
Cash and deposits	33,213	Short-term loans payable	75,200
Deferred tax assets	99	Current portion of bonds	10,000
Short-term loans receivable from subsidiaries and affiliates	327,046	Short-term loans payable to subsidiaries and affiliates	68,952
Other	2,982	Accounts payable-other	872
Allowance for doubtful accounts	(33)	Accrued expenses	501
		Income taxes payable	50
Noncurrent assets	400,131	Deposits received	207
Property, plant and equipment	1,412	Provision for bonuses	274
Buildings	14	Other	439
Structures	1	Noncurrent liabilities	400,203
Vehicles	33	Bonds payable	95,000
Furniture and fixtures	1,361	Long-term loans payable	305,000
		Provision for stock benefits	136
Intangible assets	39	Other	67
Investments and other assets	398,680	Total liabilities	556,700
Investment securities	13,650		
Stocks of subsidiaries and affiliates	377,846	<u>Net Assets</u>	
Investments in capital of subsidiaries and affiliates	132	Shareholders' equity	205,288
Deferred tax assets	6,655	Capital stock	35,920
Other	396	Capital surplus	91,307
		Legal capital surplus	91,307
		Retained earnings	100,450
		Legal retained earnings	8,980
		Other retained earnings	91,470
		Retained earnings brought forward	91,470
		Treasury stock	(22,389)
		Valuation and translation adjustments	1,449
		Valuation difference on available-for-sale securities	1,449
		Total net assets	206,738
Total assets	763,439	Total liabilities and net assets	763,439

Non-Consolidated Statement of Income
(From April 1, 2017 to March 31, 2018)

(Millions of yen)

Item	Amount	
Operating revenue		18,797
Operating expenses		6,137
Operating income		12,660
Non-operating income		
Interest income	2,537	
Dividends income	350	
Other	52	2,939
Non-operating expenses		
Interest expenses	1,427	
Financing expenses	224	
Other	157	1,809
Ordinary income		13,789
Extraordinary income		
Gain on sales of investment securities	429	
Gain on sales of noncurrent assets	0	430
Extraordinary loss		
Loss on sales of investment securities	1,334	
Other	40	1,374
Income before income taxes		12,845
Income taxes-current	125	
Income taxes-deferred	(30)	95
Net income		12,750

Non-Consolidated Statement of Changes in Net Assets
(From April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' equity						
	Capital stock	Capital surplus			Retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings	Total retained earnings
					Retained earnings brought forward		
Balance as of April 1, 2017	35,920	91,307	—	91,307	8,980	86,673	95,653
Changes in the fiscal year:							
Dividends						(7,953)	(7,953)
Net income						12,750	12,750
Acquisition of treasury stock							
Disposition of treasury stock			(0)	(0)			
Transfer to capital surplus from retained earnings			0	0		(0)	(0)
Change in items other than shareholders' equity-net							
Total changes in the fiscal year	—	—	—	—	—	4,796	4,796
Balance as of March 31, 2018	35,920	91,307	—	91,307	8,980	91,470	100,450

(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		
Balance as of April 1, 2017	(7,389)	215,492	(1,077)	(1,077)	2	214,417
Changes in the fiscal year:						
Dividends		(7,953)				(7,953)
Net income		12,750				12,750
Acquisition of treasury stock	(15,002)	(15,002)				(15,002)
Disposition of treasury stock	2	2				2
Transfer to capital surplus from retained earnings		—				—
Change in items other than shareholders' equity-net			2,526	2,526	(2)	2,524
Total changes in the fiscal year	(15,000)	(10,203)	2,526	2,526	(2)	(7,678)
Balance as of March 31, 2018	(22,389)	205,288	1,449	1,449	—	206,738

Amounts in these consolidated statements have been rounded down to the nearest unit.

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 mainly stated at cost using the moving-average method.

(2) Method of depreciation and amortization of noncurrent assets

(a) Property, plant and equipment

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

(b) Intangible assets

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

(3) Basis for recognizing allowances and provisions

(a) Allowance for doubtful accounts

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

(b) Provision for bonuses

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

(c) Provision for stock benefits

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

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

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

2. Notes to Non-Consolidated Balance Sheet

(1) Accumulated depreciation of property, plant and equipment	821 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	14,950 million yen
(3) Receivables and payables to subsidiaries and affiliates	
Short-term receivables	327,250 million yen
Short-term payables	69,230 million yen

3. Notes to Non-Consolidated Statement of Income

Transaction with subsidiaries and affiliates

Operating transactions

 Operating revenues 18,794 million yen

 Operating expenses 1,084 million yen

Non-operating transactions 2,577 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, 2017	Increase in Shares in the Fiscal Year	Decrease in Shares in the Fiscal Year	Number of Shares as of March 31, 2018
Common stock	4,704,750 shares	8,566,173 shares	1,417 shares	13,269,506 shares

- Notes:
1. Shares of common stock held as treasury stock increased by 8,566,173 shares due to the purchase of treasury stock (8,564,700 shares), and the purchase of shares in response to purchase demands for less than one unit (1,473 shares).
 2. Shares of common stock held as treasury stock decreased by 1,417 shares due to the exercise of stock options (1,400 shares), and the sale of fractional shares (17 shares).
 3. The number of shares of common stock as of March 31, 2018 includes 502,300 shares of the Company's shares owned by Officer Remuneration BIP Trust and Stock Benefit ESOP Trust.

5. Notes to Tax Effect Accounting

Principal components of deferred tax assets and deferred tax liabilities

(Deferred tax assets)

Impairment loss of investment securities in subsidiaries and affiliates for restructuring	7,238 million yen
Other	<u>2,674 million yen</u>
Sub-total	9,912 million yen
Valuation allowance	<u>(2,519) million yen</u>
Total	<u>7,393 million yen</u>

(Deferred tax liabilities)

Valuation difference on available-for-sale securities	639 million yen
Total	<u>639 million yen</u>

Net deferred tax assets	<u>6,754 million yen</u>
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6. Notes to Transactions with Related Parties

Subsidiaries, affiliates and other related parties

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

Type	Name	Transactions	Amount of Transactions (Millions of yen)	Account Item	Balance as of March 31, 2018 (Millions of yen)
Subsidiaries	MARUI Co., Ltd.	Borrowing of funds *Note1	50,647	Short-term loans payable to subsidiaries and affiliates	55,047
		Business management fee *Note2	1,619	-	-
	Epos Card Co., Ltd.	Lending of funds *Note1	336,768	Short-term loans receivable from subsidiaries and affiliates	325,037
		Business management fee *Note2	3,193	-	-
		Receipt of interests	2,525	-	-

Terms of transactions and policy for deciding transaction terms

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

7. Notes to Per-Share Information

(1) Net assets per share	938.05 yen
(2) Net income per share	56.82 yen

8. Notes to Significant Subsequent Events

Not applicable

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

[Reference]

Notice concerning determination of particulars related to acquisition of treasury stock and retirement of treasury stock

(Acquisition of own shares stipulated in the Articles of Incorporation, under Article 165, Paragraph 3 of the Companies Act, and retirement of treasury stock stipulated in Article 178 of the Companies Act)

This is to announce that the Company passed a resolution as follows, at the Board of Directors meeting held on May 10, 2018, on the particulars of acquisition of treasury stock pursuant to the provision of Article 156 of the Companies Act applied by replacing the terms and phrases based on the provisions of Article 165, Paragraph 3 of the same Act, and retirement of treasury stock pursuant to the provisions of Article 178 of the same Act.

1. Reasons for acquisition of treasury stock and retirement of treasury stock

Under the five-year mid-term management plan with the fiscal year ending March 31, 2021 as the final year, the Group will strive for innovation and integrated management of the Group's businesses for profit growth. Under these financial strategies, with an aim of achieving optimal capital composition suitable to the Group's business structure, the Company will effectively utilize basic operational cash flows generated over the five years to increase investment for growth and enhance shareholder returns. As part of this initiative, the Company will promote acquisition of treasury stock and retirement of treasury stock to target ROE of 10% or higher, ROIC of 4% or higher, and EPS of 130 yen or more, to increase corporate value. The following particulars are resolved based on the above approaches.

2. Particulars of acquisition of treasury stock

- | | |
|--|--|
| (1) Type of shares to be acquired: | Common stock |
| (2) Total number of shares to be acquired: | No more than 4 million shares
(1.81% of the total number of issued shares excluding treasury stock) |
| (3) Total amount of acquisition: | No more than 7,000 million yen |
| (4) Period of acquisition: | From May 11, 2018 to March 31, 2019 |

3. Particulars of retirement of treasury stock

- | | |
|---|---|
| (1) Type of shares to be retired: | Common stock |
| (2) Total number of shares to be retired: | 10 million shares
(4.28% of the total number of issued shares) |
| (3) Total number of issued shares subsequent to retirement: | 223,660,417 shares |
| (4) Date of retirement: | May 31, 2018 |