



Establishment of New Medium-Term Management Plan Emphasizing Corporate Value

Through Groupwide reforms brought about by business structure transformations, MARUI GROUP was able to achieve the target of 6% for ROE defined in the previous medium-term management plan in the fiscal year ended March 31, 2016, one year in advance. For this reason, we decided to establish a new five-year medium-term management plan. This plan was made to emphasize improved corporate value.

Review of the Previous Medium-Term Management Plan

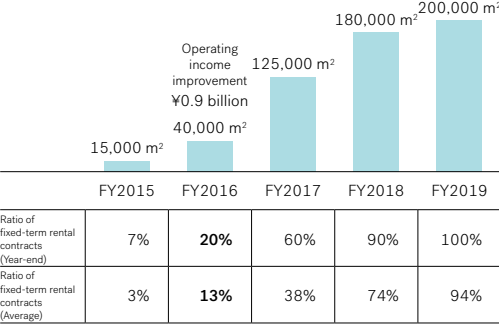
Business overview: Following the 2006 launch of the EPOS card, MARUI GROUP's business structure shifted in focus from retailing to credit cards, successfully creating a credit card-driven business structure. This structure proved capable of realizing stable growth. We then deployed the previous medium-term management plan. This plan targeted ROE of more than 6% and placed the Credit Card Services business as central to growth strategies, based on which we developed the Credit Card Services business nationwide.

In the Retailing and Store Operation business, meanwhile, we worked toward the development of lifestyle-oriented stores by transitioning to a shopping center model and the use of fixed-term rental contracts. Our current goal is to complete the transition to fixed-term

rental contracts by March 31, 2019. A ¥0.9 billion improvement in operating income was realized in the fiscal year ended March 31, 2016, as the transition reached 20% completion (see Figure 1). In our directly managed specialty stores, we selected product categories in which we excel to concentrate our efforts on. We also adjusted our Internet sales operations to focus more on strong-performing shoes and other accessories.

In the Credit Card Services business, we sought to recruit cardholders from across Japan, expanding the number of cardholders outside of the business areas of Marui stores. After deciding to open Hakata Marui, we positioned Kyushu as a strategic region, thereby increasing the number of cardholders in this region to more than 130,000 at the time of the store's opening (see Figure 2).

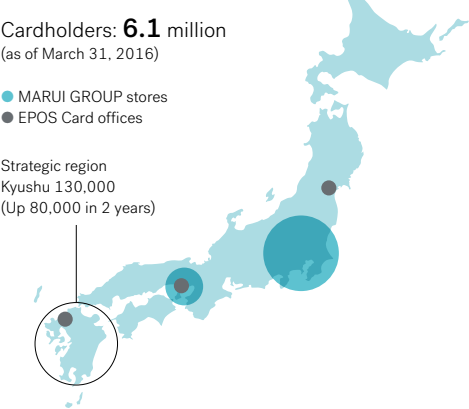
Figure 1: Total Fixed-Term Rental Contract Floor Space and Targets



Ratio of fixed-term rental contracts = Fixed-term rental contracted floor space ÷ Total floor space capable of being contracted as fixed-term rental
Sections not applicable for fixed-term rental contracts: Sections not applicable for fixed-term rental contracts based on requests of building owners, directly managed sales floors, event spaces, food sales floors, etc.

Fiscal year ended March 31, 2016:
Ratio of fixed-term rental contracts (year-end): 20%
Operating income improvement amount: ¥0.9 billion

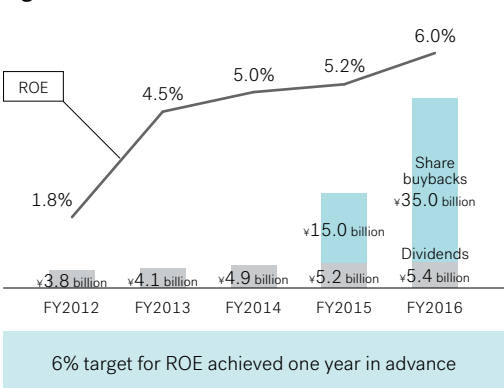
Figure 2: Nationwide Development of Credit Card Services



Total cardholders: Up 710,000 in 2 years
Number of cardholders outside of store business area: Up 1.5 times

Early achievement of 6% ROE target: In addition to business initiatives, we also actively conducted share buybacks, acquiring some ¥50.0 billion worth of Company shares in the two years leading up to March 31, 2016. As a result, ROE increased by 4.0 percentage points over a period of four years and reached 6% in the fiscal year ended March 31, 2016, reaching our target one year in advance (see Figure 3).

Figure 3: Shareholder Returns and ROE



Massive improvement in Group productivity: In conjunction with the transformation of the Group's business structure, we also began actively promoting inter-Group company personnel relocations to stimulate employee growth and give form to the concept of a united MARUI GROUP (see Figure 5).

By utilizing the retailing expertise of employees in the high-margin Credit Card Services and Retailing-Related

Figure 5: Employee Numbers by Business

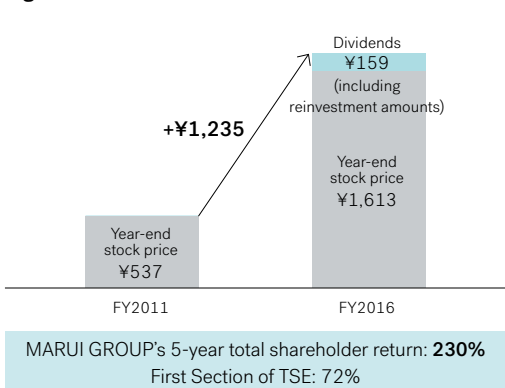
(Excluding temporary employees)

	FY2012	FY2016	Difference
Retailing-Related Services	4,539	3,566	-973
Credit Card Services	516	1,016	+500
Other	1,163	1,317	+154
Total	6,218	5,899	-319

Total number of employees changing positions: 1,418 (approx. 25%)
Aggregate total for fiscal years ended March 31, 2013-2016 (excluding officers and managers)

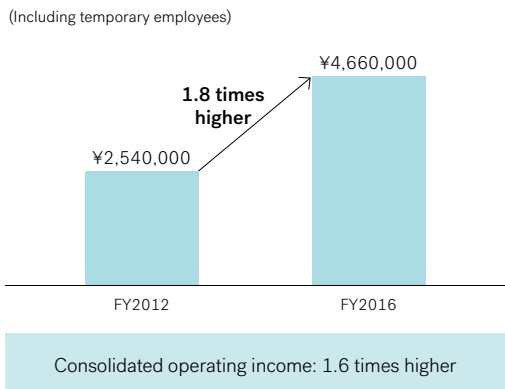
Consequently, total shareholder return, an indicator of shareholder value, was 230% over the five-year period ended March 31, 2016 (27% annual average). This level greatly exceeded the average of 72% (11% annual average) for companies listed on the First Section of the Tokyo Stock Exchange (see Figure 4).

Figure 4: Total Shareholder Return



Services, we realized a massive improvement in the Group's productivity. This increase in productivity resulted in operating income per employee being 1.8 times higher than in the fiscal year ended March 31, 2012, prior to our full-fledged promotion of inter-Group company personnel relocations, which led to consolidated operating income increasing 1.6 times compared with the fiscal year ended March 31, 2012 (see Figure 6).

Figure 6: Operating Income per Employee





Redefinition and Reorganization of Businesses

In conjunction with the start of the new medium-term management plan, we redefined our previous three business segments from a forward-looking perspective, reorganizing these segments into the Retailing and FinTech segments. With these redefined and reorganized business segments, we will advance initiatives in each business through integrated Group operations.

The reorganized Retailing segment comprises stores (shopping centers), omni-channel retailing (specialty stores, private brands, and Internet sales), and facility management and distribution operations (store renovation, distribution, building management, and other services). Meanwhile, the FinTech segment is responsible for credit cards (card shopping and cash advances), financial services (rent guarantees, insurance, and other services), and IT (system development). We believe that these segments better match the strengths and characteristics of the Group's businesses (see Figure 7).

Redefined FinTech Business (Target Business Scope)

When looking at the customer groups in the financial services field, we will see that banks and other members of the conventional financial sector tend to serve customers that are large in terms of both income and scale (see left half of Figure 8). Meanwhile, the FinTech sector takes advantage of its ability to combine both finance and technology to provide services to customer groups that the conventional financial sector did not address. We view this type of democratization of finance as the mission of FinTech as well as the mission of the MARUI GROUP, which has traditionally provided financial services for enriching the lifestyles of younger generations. Looking ahead, we will seek to expand the scope of our FinTech business from physical to digital services and from urban areas to rural and other areas across Japan (see right half of Figure 8). We will thus continue to incorporate evolving technologies to drive this business scope expansion.

Overview of the New Medium-Term Management Plan

Under the new medium-term management plan, we will form intrinsic links between the Group's redefined and reorganized businesses and integrate their operations to improve corporate value. At the same time, we will create new business through the transformation of Group businesses and work toward the development of an optimal capital structure (➡ [P83 Target Balance Sheet](#)) and further

improvement of productivity. By advancing these measures, we will target ROE of more than 10%, ROIC of more than 4%, and earnings per share (EPS) of more than ¥130 in the fiscal year ending March 31, 2021, the final year of the new medium-term management plan.

Figure 7: Redefinition and Reorganization of Businesses

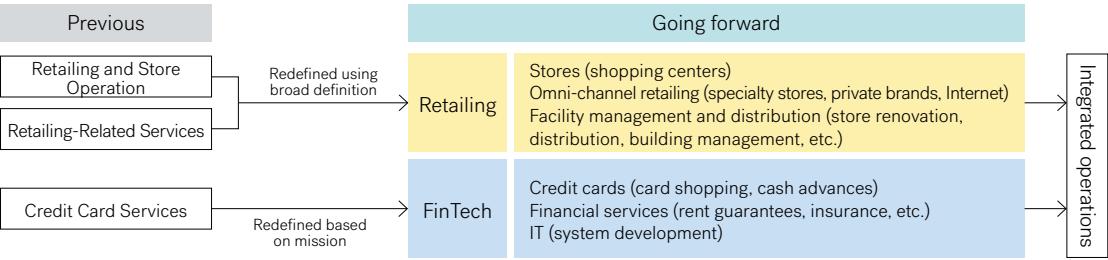
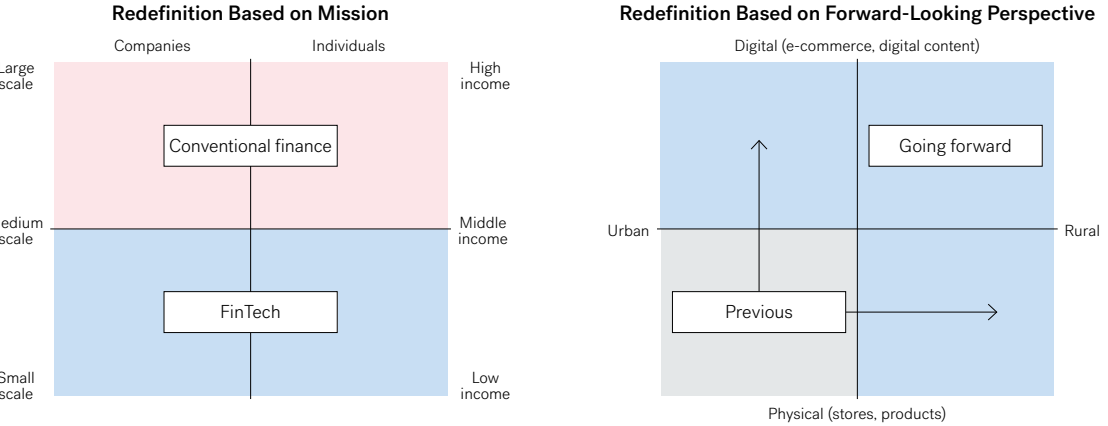


Figure 8: Redefined FinTech Business (Target Business Scope)



New Medium-Term Management Plan with the Fiscal Year Ending March 31, 2021, as its Final Year

Plan Framework		
Improvement of corporate value through integrated Group operations	Development of optimal capital structure and further improvement of productivity	Creation of new businesses through transformation of Group businesses
Specific Initiatives		
Retailing	Stores	Improve capital productivity by completing transition to a business structure focused on shopping centers and fixed-term rental contracts and deploying next-generation lifestyle-oriented shopping centers
	Omni-channel retailing	Develop business focused on Internet sales while expanding scope of try-on stores that combine Group expertise and other unique business models
	Facility management and distribution	Utilize store renovation, distribution, building management, and other retailing expertise in an integrated manner and advance business-to-business operations
FinTech	Credit cards	Increase number of EPOS card fans across Japan and reinforce collaboration with commercial facilities and companies while maintaining high profit margins and simultaneously expanding business scale
	Financial services	Expand revenues from rent guarantee, insurance, and other services utilizing credit know-how to improve ROIC through business requiring minimal invested capital
	IT	Support expansion of Group business scope by utilizing new technologies to improve customer convenience
Optimal capital structure		Create structure in which ROIC consistently exceeds capital costs by improving ROIC through income growth and establishing optimal capital structure suited to Group business structure
Growth investments		Develop commercial facilities utilizing shopping center and fixed-term rental know-how, conduct M&A activities for expanding business scope, invest in venture companies to acquire new technologies, and execute other growth investments for improving corporate value
Productivity improvement		Utilize human resources as necessitated by business portfolio as a united MARUI GROUP to further improve Group productivity



Achieve ROE of more than 10%, ROIC of more than 4%, and EPS of more than ¥130 in the fiscal year ending March 31, 2021