

Basic Policy of the Medium-Term Management Plan

It is stated in MARUI GROUP's corporate philosophy that we should "continue evolving to better aid our customers" and "equate the development of our people with the development of our company." Based on this philosophy, our mission is to co-create the happiness of all of our stakeholders, including our customers, employees,

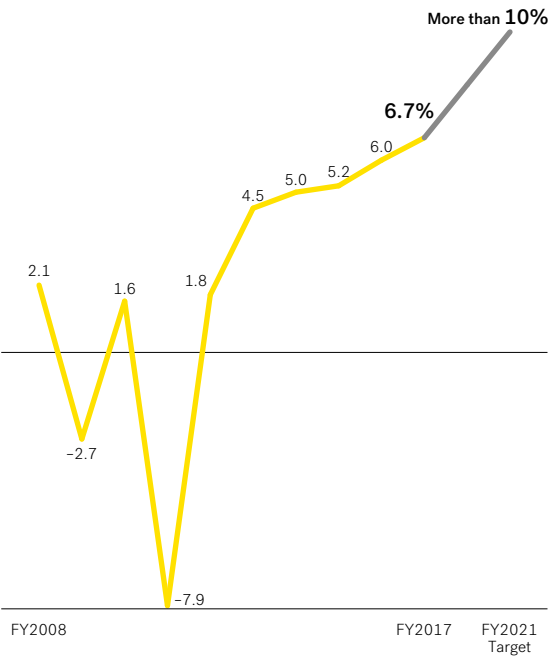
business partners, local communities, shareholders, and other investors, together with these stakeholders. Seeking to heighten the corporate value that will arise from this process, we are moving ahead with a five-year medium-term management plan with the fiscal year ending March 31, 2021, as its final year.

MARUI GROUP's 3 Focus KPIs with the Fiscal Year Ending March 31, 2021		
Achieve ROE of more than 10%, ROIC of more than 4%, and EPS of more than ¥130		
Plan Framework		
Improvement of corporate value through integrated Group operations	Creation of new businesses through transformation of Group businesses	Development of optimal capital structure and further improvement of productivity
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, 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

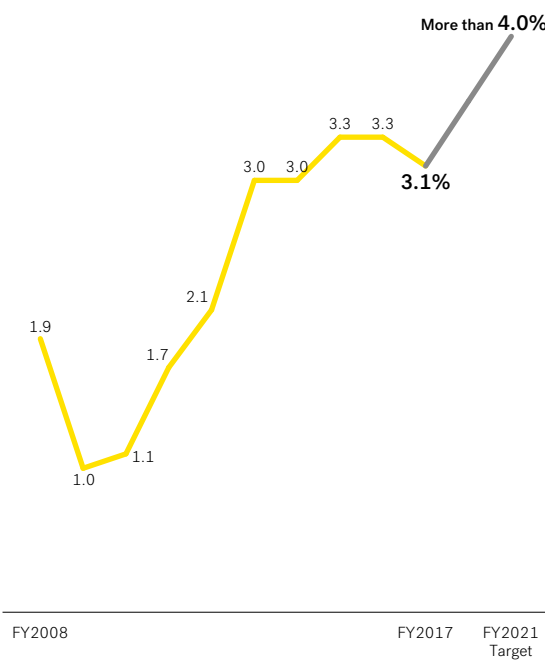
MARUI GROUP's 3 Focus KPIs

Based on its concept of co-creation management, MARUI GROUP views all of its business assets as being borrowed from society. We believe that this view will help clarify our efforts to achieve harmony between stakeholder interests and improve corporate value. The Company is committed to effectively utilizing these "borrowings" and then returning them to stakeholders with "interest." In line with this belief, MARUI GROUP identified three key performance indicators (KPIs) for gauging Groupwide performance beginning with the fiscal year ended March 31, 2017. These KPIs include return on equity (ROE) and earnings per share (EPS), which are both indicators that have been selected based on the Company's emphasis on improvements to medium-to-long-term corporate value, as well as return on invested capital (ROIC), which is an indicator of profitability in the Company's main business.

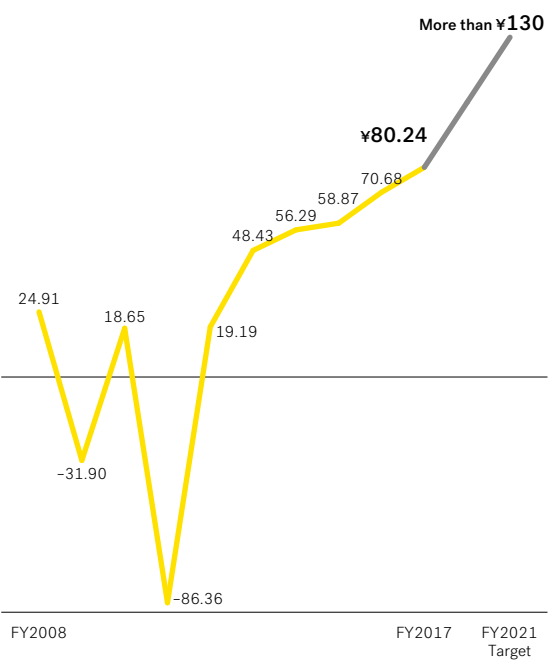
Return on Equity (ROE)



Return on Invested Capital (ROIC)



Earnings per Share (EPS)



Progress in Retailing Business and Future Strategies

Transition to Shopping Centers and Fixed-Term Rental Contracts

Over the five-year period leading up to the fiscal year ending March 31, 2019, the Retailing business is set to undergo a transition in its stores from the consignment buying system, which entails procuring and selling products, to a real estate model, which involves renting out space. As part of this transition, the source of our earnings will change from product sales to rent revenues. In the fiscal year ended March 31, 2017, progress in the shift to shopping centers and fixed-term rental contracts was faster than anticipated. We converted 62% of applicable floor space to this new model and aggregate operating income improvement realized was ¥2.9 billion. As a result of this progress, the amount of inactive floor space was also greater than expected, resulting in a decline in operating income for the Retailing business. Regardless, this is only a temporary decline stemming from the transition period.

Response to Shift from Consumption of Goods to Consumption of Experiences

In conjunction with the shift to shopping centers and fixed-term rental contracts, we are moving away from our previous, fashion-centric stores to develop

lifestyle-oriented stores focused on food, services, and sundries. The first store that opened under the real estate model was Hakata Marui. This store has continued to experience forecast-exceeding customer numbers since its opening in April 2016, and net operating income yield (NOI yield) achieved its target of more than 4% for this store. In addition, we are moving ahead with co-creation store development initiatives that incorporate the desires of local customers at previously existing stores. As part of these efforts, Shizuoka Marui and Kashiwa Marui, which previously consisted as two buildings, were renovated to be reopened with each building functioning as a separate Marui or Modi store. The Marui stores opened in spring 2016 while their Modi counterparts were opened in the fall of the same year. Going forward, we will not limit ourselves to the previous model of stores that sell products. Instead, MARUI GROUP's stores will be used to provide space that is an intrinsic benefit of physical stores to the approximately 200 million customers that visit these stores each year while taking full advantage of their prime locations in front of train stations in urban centers. In addition, stores will be home to a new business of providing sharing economy services (accommodations and space) in order to uncover new customer needs.

Promotion of Omni-Channel Retailing through Integrated Group Operation

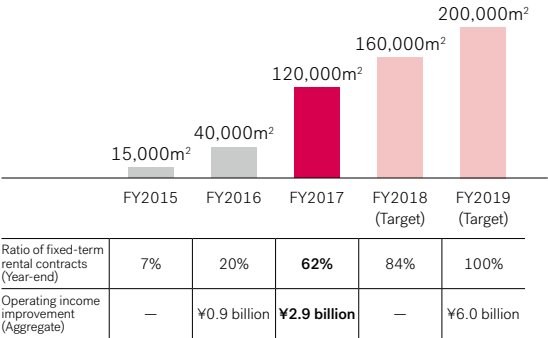
Specialty shops dealing primarily in private brand products will target medium-to-long-term earnings growth in order to contribute to improved corporate value. To this end, we are verifying profitability in existing businesses based on earnings in the fiscal year ended March 31, 2017, as well as on the lifetime value (LTV) originating from EPOS card applications and registrations for the MARUI Internet shopping "marui web channel" e-commerce site. In addition, MARUI GROUP has continued to open try-on stores, a type of short-term event store that combines the ability to experience products firsthand offered by physical stores with Internet sales. In the fiscal year ended March 31, 2017, 47 such events were held at commercial facilities nationwide. In addition, we are introducing try-on stores at a wider range of existing physical stores, with major examples including the permanent try-on stores dealing in women's shoes and apparel established at Kinshicho Marui and Shizuoka Marui. In terms of e-commerce operations, a Marui store was opened on the Wowma! Internet sales site operated by KDDI CORPORATION in February 2017. This store is expected to contribute to higher total e-commerce sales by broadening our points of contact with the approximately 38 million au customers.



Hajime Sasaki
Senior Executive Officer
President and
Representative Director,
MARUI CO., LTD.

MARUI GROUP is shifting to shopping centers and fixed-term rental contracts in order to develop lifestyle-oriented stores and stabilize earnings while also transforming its business model through the promotion of omni-channel retailing. These initiatives are stimulating significant changes in frontline operations. Our goal in these new initiatives is to respond to the needs of customers to bring them the joy they desire. This goal is shared with the co-creation activities we have continued to advance together with customers, business partners, and other stakeholders. MARUI GROUP boasts numerous unique strengths. These strengths include our stores poised in prime locations, our co-creation private brand products, our IT and distribution systems supporting our store and e-commerce operations, and the customer service and sales skills of our employees. By combining these strengths, MARUI GROUP will develop distinctive businesses to create new value decades into the future.

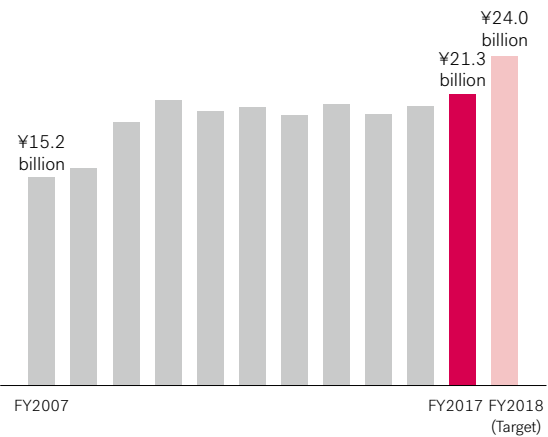
Stores: Total Fixed-Term Rental Contract Floor Space and Targets



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.

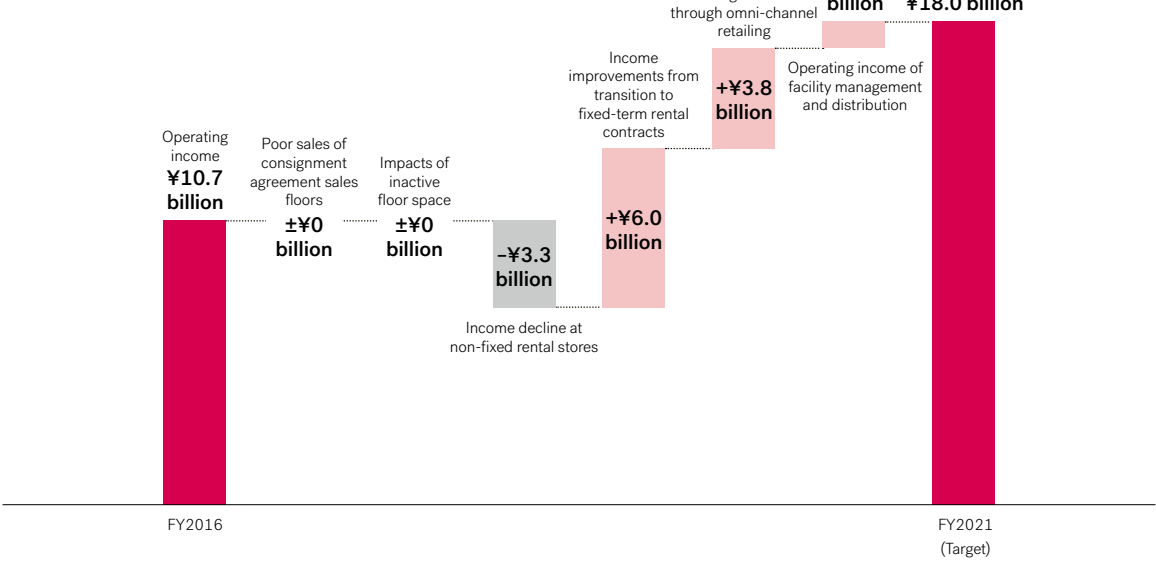
Fiscal year ended March 31, 2017:
Ratio of fixed-term rental contracts (year-end): 62%
Operating income improvement (aggregate): ¥2.9 billion

Total E-Commerce Sales and Target



Fiscal year ending March 31, 2018 (Target):
Total e-commerce sales: ¥24.0 billion

Factors Affecting Operating Income in Retailing Segment (for Period of Medium-Term Management Plan)



Progress in FinTech Business and Future Strategies

Integrated Group Operations Supporting Growth

Total transactions in the FinTech business have continued to display average annual growth rates of 17% since the launch of the EPOS card in the fiscal year ended March 31, 2007, and total transactions amounted to ¥1,723.3 billion in the fiscal year ended March 31, 2017. This impressive growth is a result of increases in credit card transactions following a rapid rise in credit usage driven by e-commerce and the shift toward consumption of experiences. Although the scale of EPOS card transaction volumes is still small in comparison to the transaction volumes of other companies, we are maintaining high profitability and efficiency. This is made possible by integrated Group operations. MARUI GROUP's operations have long been characterized by efficiency realized through the utilization of both stores and the Internet. Features of this operational style include face-to-face promotion of card application by Retailing business personnel, the ability to apply for cards via the Internet and pick them up in stores, and the option to convert to Gold cards in stores. Going forward, we will continue to leverage the competitive edge granted by the Group's systems development company to swiftly respond to customer needs while also boosting competitiveness by ensuring high card usability.

Increases in Cardholder Numbers and Usage Rates and Amounts

A total of 800,000 new cardholders were expected to be acquired during the fiscal year ended March 31, 2017, due to the opening of Hakata Marui, but the actual number only came to 740,000 as a result of difficulty recruiting cardholders for collaboration cards outside of MARUI GROUP facilities. Nonetheless, we stand committed to spreading EPOS cards throughout Japan by stepping up collaboration with commercial facilities, which are in the best position to leverage the strengths of EPOS cards. At the same time, we will increase cardholder numbers by pursuing collaboration with partners operating in fields with high growth potential, including e-commerce and service content.

We also took steps to respond to customer needs and increase convenience. These steps included expanding the range of affiliates at which installment payments can be used and improving the method of changing to revolving payments when paying. As a result, revolving and installment payment transactions grew, contributing to higher earnings.

Growth in card shopping transactions is currently being driven by Gold and Platinum cards. The number of Gold and Platinum cardholders rose 18% year on year, to 1.6 million, representing 25% of our cardholder base, and approximately 70% of all card shopping transactions could be attributed to these cardholders. MARUI GROUP will seek to increase the number of Gold and Platinum cardholders along with their usage amounts through the introduction of loyalty programs and other initiatives.

Response to Diversifying Payment Methods

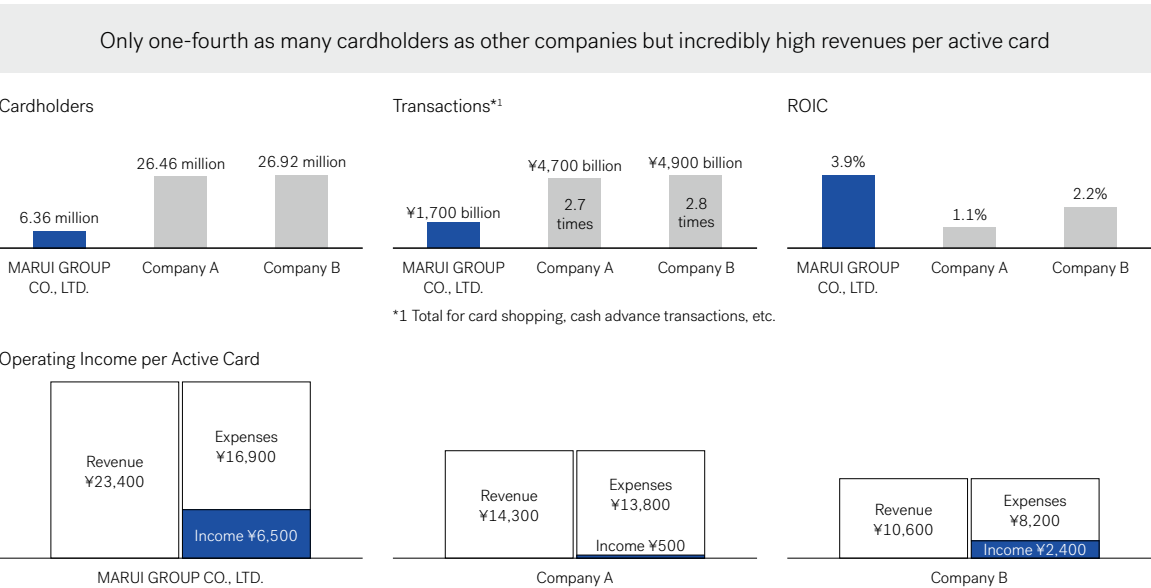
Payment methods are growing more diverse amid the rapid expansion of the mobile payment market, with new options being provided by overseas companies newly entering the market as well as by new payment services, including Rakuten Pay and Coiney. To respond to these emerging payment methods, MARUI GROUP will seek to provide optimal payment services based on the trends seen in society and among customers. For example, a payment service using the Origami Pay platform was introduced at Shibuya Modi on a trial basis in August 2016, and EPOS cards were made compatible with the Apple Pay service in March 2017.



Yoshinori Saito
Senior Executive Officer
President and
Representative Director,
Epos Card Co., Ltd.

MARUI GROUP has continued to provide payment settlement and other financial services via credit cards. Recently, Japan's declining birthrate, aging population, and pension issues have led youths and young adults to harbor concern for their future, which in turn has inspired them to take interest in investment, conservation, and other money-related areas. It was based on these trends that MARUI GROUP decided to establish the FinTech Business Department in April 2017. Going forward, we will leverage the Group's management resources and promote open innovation with various companies to expand the range of the financial services we provide with the aim of realizing financial inclusion. For example, we plan to offer services for saving and increasing money and for preparing for the future.

Comparison with Competitors (Figures from FY2017, segment based; Source: MARUI GROUP)



FinTech: Medium-Term Transaction Volume, Operating Income, and Cardholder Targets

