

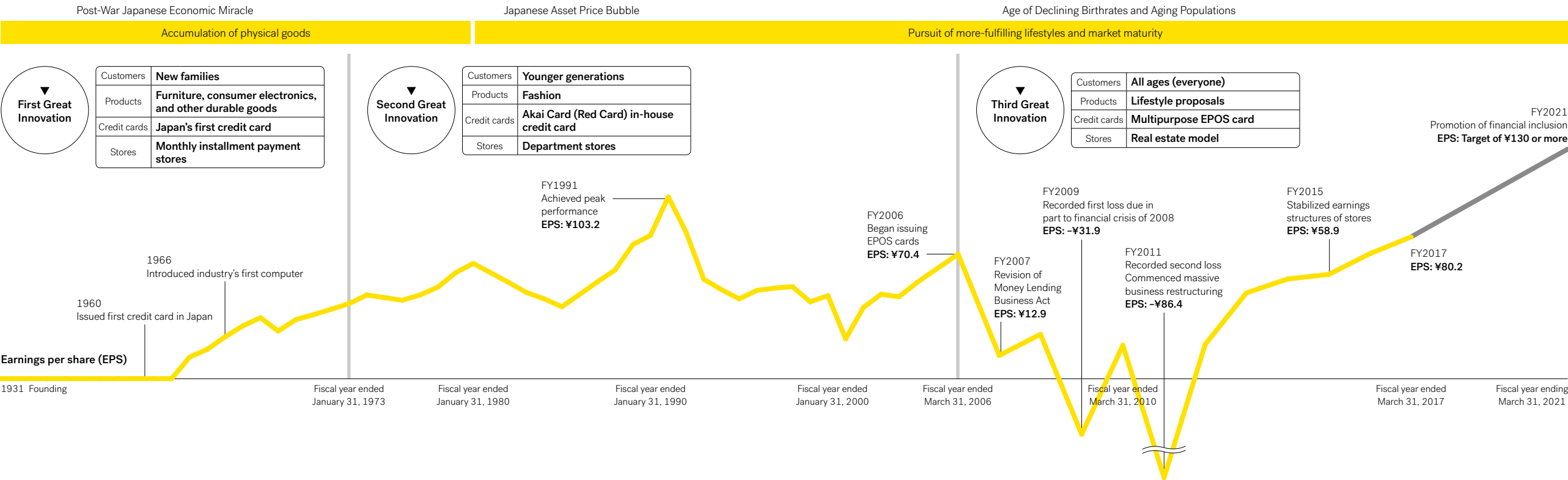
Innovation of Business Structure in Line with the Times

Over the 86 years since its founding, MARUI GROUP has continued to innovate and evolve its unique business model, which merges retailing and finance, and the structure of its business in line with changes in the times and in the needs of customers. Currently, finance is becoming the main driver of our growth. However, we retain our stance of not segregating retailing and finance. Rather, we will share human resources, stores, and data throughout our integrated business as we seek to improve corporate value by evolving our unique business model merging retailing and finance.

MARUI GROUP's Founding DNA
Words of Founder Chuji Aoi

“Creditability should be built together with customers”
Unique business model merging retailing and finance

“Pioneer spirit of creating opportunities”
Adeptness at evolving and creating innovation in response to the needs of the times



Furniture Sales through Installment Payments

Founder: Chuji Aoi

Period as president: 1931-1972 (41 years)

At the time of its founding, MARUI GROUP's business involved selling furniture through monthly installment payments. These monthly installment payments entailed both selling furniture and providing credit, or, in other words, lending money, thus representing a business model that merges retailing and finance. In the years that followed, the Company pushed forward with the modernization of the installment payment system, issuing Japan's first credit card in 1960 and then introducing the industry's first computer in 1966.

Sales of Fashion on Credit

Second leader: Tadao Aoi

Period as president: 1972-2005 (33 years)

During the period of the post-war Japanese economic miracle, income levels in Japan rose, leading other stores using the monthly installment payment system to focus on finance. MARUI GROUP, meanwhile, turned its attention to fashion. This transition entailed a bold shift toward younger generations as the Company's customer base. We thus came to play a part in the boom of the DC fashion brand. In addition, we began offering cash advances in 1981. By building upon these strategies, we were able to achieve our peak performance in 1991.

Lifestyle Proposals and Card Shopping Transactions

Third leader: Hiroshi Aoi

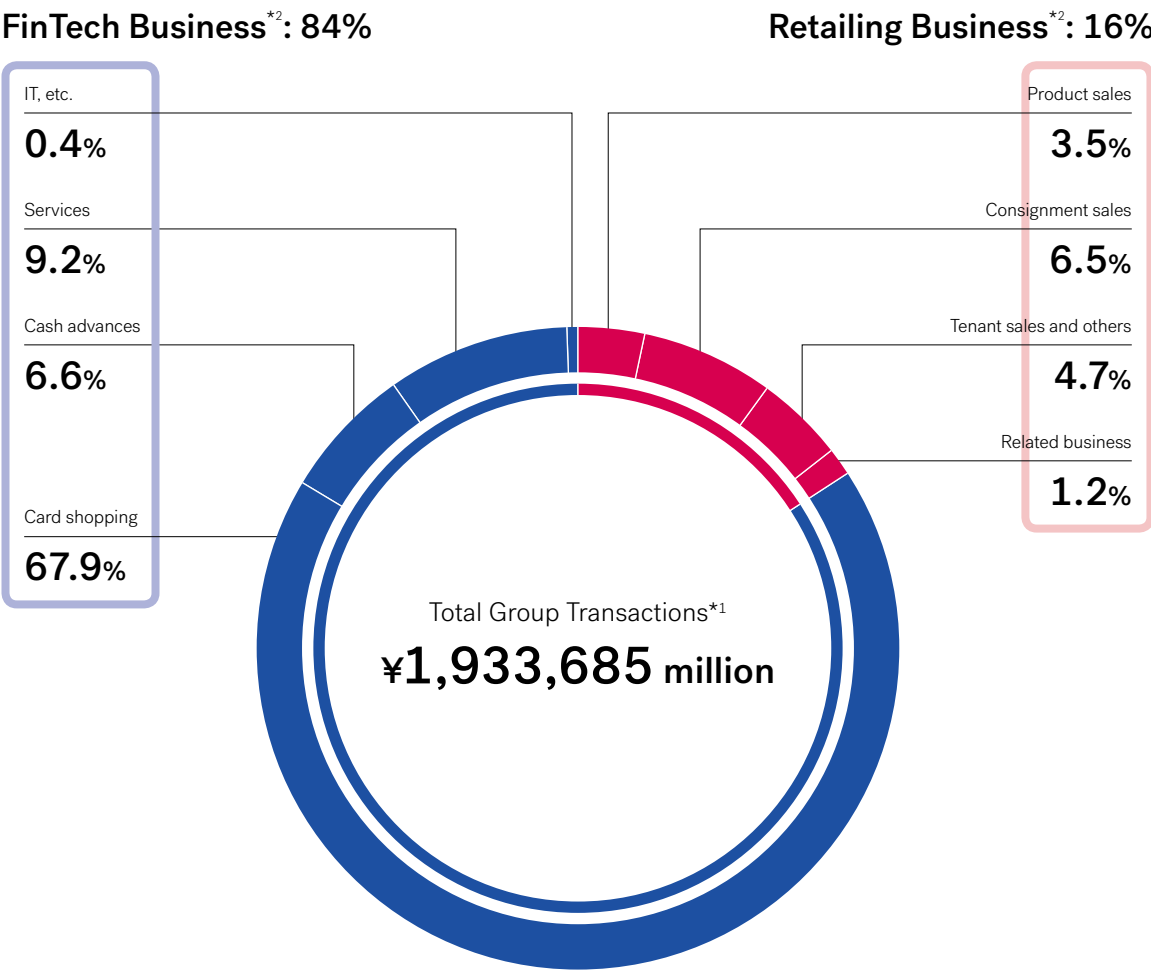
Period as president: from 2005

Due to the impacts of the 2006 revision of the Money Lending Business Act and the 2008 financial crisis, MARUI GROUP was forced to record losses on two occasions. In light of this development, we undertook a massive business restructuring. In terms of customers, we drastically realigned our focus from catering primarily to younger generations to developing a business that wins the favor of customers of all ages. The launch of the multipurpose EPOS card in 2006 brought further change as our earnings began to come less from cash advances and

more from card shopping transactions. In 2014, we started transitioning our stores toward real estate-model shopping centers to enable them to provide experiences in addition to the physical goods they had conventionally sold. This business structure transformation stabilized the earnings of stores, allowing them to realize immunity to downside risks. In addition, the transformation made it possible to undertake co-creation store development initiatives with customers and increase the number of visiting customers and purchases.

Reverse in Relationship between Retailing and Finance

MARUI GROUP previously has been a retailer with finance functions, and the role of credit cards has thus been to support stores. This relationship began to change with the launch of the EPOS card in 2006, after which card transactions started to increase rapidly. Although MARUI GROUP's business model continued to be a merger of retailing and finance, the relationship between these functions was reversed, with finance becoming the main proponent of growth. Today, our 31 nationwide stores are supporting the growth of credit cards as application centers.



In the fiscal year ended March 31, 2017, total Group transactions^{*1} amounted to ¥1,933.7 billion, of which ¥326.3 billion, or approximately 16%, was attributable to the Retailing business, with the remaining 84%, or ¥1,723.3 billion, coming from the FinTech business. In this manner, the FinTech business is currently driving the overall growth of MARUI GROUP.

^{*1} Total Group transactions exclude intersegment transactions.
^{*2} Ratios are prior to eliminations.

Business Model Innovations

MARUI GROUP's business model has undergone innovations in three areas in response to changes in customer consumption patterns: the rise of e-commerce and cashless payment methods, the declining birthrate and aging of society, and other long-term social trends. By reinventing our business model, we will achieve immunity to downside risks while building a growth foundation capable of taking advantage of upside risks.

- Customer base innovation

► Change in focus from younger generations to all ages and inclusion of all customers
- Retailing innovation

► Shift from consignment buying system to real estate model for earnings structure and promotion of omni-channel retailing
- Credit card innovation

► Transition from in-house card to multipurpose card and expansion of business scope to include FinTech

Immunity to Downside Risks



Transition from Department Store Model to Real Estate Model

The transition from department stores that procure and sell products to real estate-model shopping centers that receive payments from renting space has stabilized earnings in the Retailing business. Moreover, this transition has made it possible to introduce more tenants offering food, services, and experiences.

Unique Omni-Channel Retailing Strategy

MARUI GROUP is gradually replacing its specialty shops, which primarily deal in private brand products, with try-on stores, which integrate stores, credit cards, and the Internet. These stores use a completely new scheme in which customers can freely try on samples and then make purchases through the Company's e-commerce website.

Upside Risk Growth Foundation



Evolution from In-House Card to Multipurpose Card

Having received a direct license from Visa Worldwide Japan Co., Ltd., we were able to evolve our in-house card into a multipurpose credit card usable anywhere in the world. Since then, card shopping transactions have been expanding rapidly in conjunction with customers' shopping, posting average annual growth rates of 17% and driving the overall growth of MARUI GROUP.

Redefinition of Credit Card Services as FinTech

MARUI GROUP redefined its prior Credit Card Services business as the FinTech business with the aim of providing financial services that can be used by all. Offerings in this redefined business will include various services, including new services that respond to the diversification of payment methods following the rise of cashless payment methods.

Retailing Business Earnings Structure

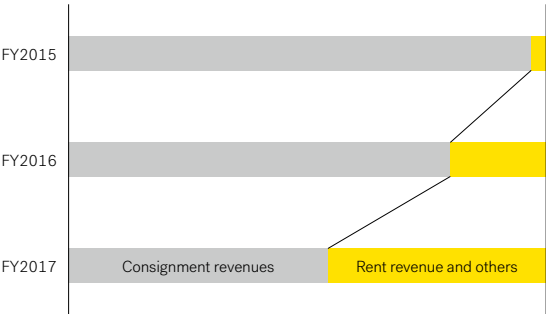
The Retailing business has previously used a model based on the consignment buying system, which entails procuring and selling products, meaning that revenue was dependent on product sales. To address this dependency, we are transitioning to a real estate model, which involves gaining rent revenues from renting out space, and will thus stabilize earnings. We aim to convert 100% of applicable floor space to this model by the fiscal year ending March 31, 2019. As we transition to this real estate model by shifting toward shopping centers and fixed-term rental contracts, the amount of consignment revenues from tenants will decrease while rent revenues from fixed-term rental tenants will increase. Accordingly, the change in the earnings structure of the Retailing business is apparent when looking at the distributions of sales under the consignment buying system, rent revenue, and other items.

In conjunction with the transition to the real estate model, the key performance indicator (KPI) for specialty stores, which primarily deal in co-creation private brand products, was changed from operating income margin to net operating income yield (NOI yield), which indicates the anticipated yield in comparison to average market rent fees. We have hurdle rates of NOI yield of more than 4% for urban stores and more than 7% for suburban stores. Based on these rates, we will monitor real estate market prices in relation to specialty shops along with income improvements in order to maximize asset efficiency for sales floors, storage space, and other assets. This KPI is linked not only to income in a given year but also to corporate value, as it incorporates consideration for medium-to-long-term income from EPOS card

Overview of Operations

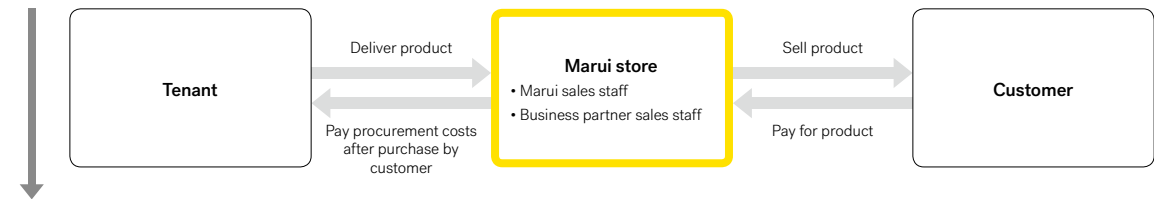
Stores	31 (25 Marui stores, 6 Modi stores)
Omni-channel retailing	Specialty stores primarily dealing in co-creation private brands MARUI Internet shopping "marui web channel" Short-term event try-on stores
Facility management and distribution	Store renovation, advertising, property management Building management Distribution, IT, etc.

Distribution of Consignment Revenues and Rent Revenue

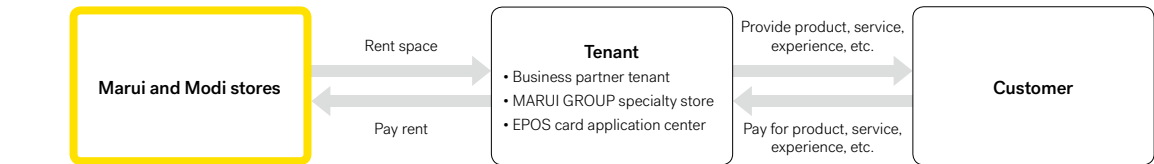


applications and registrations for e-commerce sites. Utilizing this indicator, we examine specialty shops to determine which should remain open and which should be closed.

Previously: Earnings Structure Based on Consignment Buying System



Going Forward: Earnings Structure Based on Real Estate Model



FinTech Business Earnings Structure

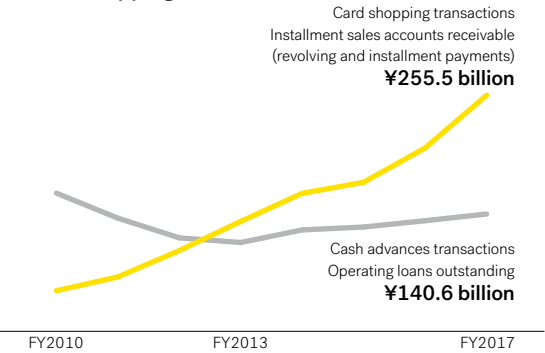
While the Japanese credit card industry has been experiencing average annual growth of 7% in card transactions, the FinTech business has been enjoying average annual growth rates of 17% in transactions using its core EPOS card. Looking at operating receivables, the amount of installment sales accounts receivable (revolving and installment payments) exceeded the amount of operating loans outstanding in the fiscal year ended March 31, 2013, illustrating the shift in the earnings structure of this business from cash advances to card shopping transactions. Today, card shopping transactions account for approximately 81% of total transactions in the FinTech business while cash advances only equate to around 8%.

The growth of credit card businesses is dependent on increases in cardholder numbers, the ratio of cardholders that remain active users, and the amount of transactions per one card. We issue EPOS cards to around 700,000 new applicants each year, of which approximately 80% apply through MARUI GROUP stores or e-commerce sites. Located predominately in major cities with high people traffic nationwide, the MARUI GROUP's stores are integral to acquiring new applicants. In addition, the transition to the real estate model for stores in the Retailing business reduces the amount of staff required to operate each store, enabling us to reallocate this staff to Epos Card Co., Ltd. We are thus able to position staff with extensive customer service experience and a retailing mind-set at EPOS card application centers in the external facilities of collaboration partners, where these full-time staff members will work to acquire new applicants. Looking at other areas of the FinTech business, revenues from housing and other rent guarantee services have recently been rising in light of

Overview of Operations

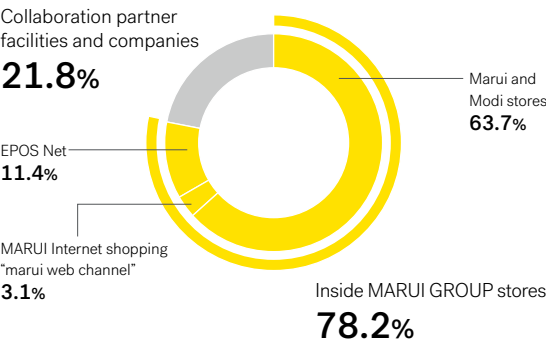
Credit cards	EPOS card
Financial services	ROOM iD advanced-payment rent guarantee service ROOM GUARD Be comprehensive renters' insurance plans
IT	System development

Transition in Earnings Structure from Cash Advances to Card Shopping

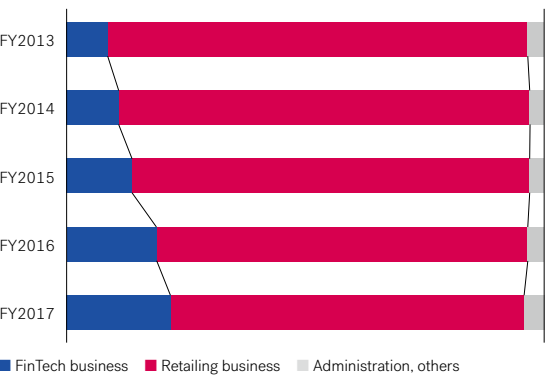


the scheduled massive revision to the Civil Code pertaining to credit, which will be the first revision of this nature in 120 years. We also plan to grow the FinTech business by increasing service revenues and expanding insurance service and other existing high-margin operations that do not require invested capital.

Distribution of EPOS Card Applications by Venue (FY2017)



Distribution of Group Employees by Business



MARUI GROUP’s Retail-Nature Business That is Attentive to the Needs of Individual Customers

Since its founding, MARUI GROUP has remained committed to identifying the needs of individual customers based on their lifestyles, striving to attentively cater to these needs with fine-tuned responses. As the Internet spreads to every facet of our lives, MARUI GROUP will seek to evolve its retail-nature business to provide value that meets customer expectations through combinations of financial and non-financial services.

Combinations of Financial and Non-Financial Services

In May 2017, Nobuchika Mori, commissioner of the Financial Services Agency, delivered a speech entitled “Will FinTech create shared values?” During this speech, Commissioner Mori stated that “Current product line-ups differ from player to player, but none at the moment has a combination of a wide range of financial and non-financial services that can meet the customers’ needs, be it a financial institution or otherwise.” If one were to view MARUI GROUP’s FinTech business as a provider of “financial

services” and the Company’s Retailing business as a supplier of “non-financial services,” then MARUI GROUP could be described as a “conglomerate that combines a wide range of financial and non-financial services to offer fulfilling lifestyles to all customers.” This would be an accurate way of explaining the business model merging retailing and finance that MARUI GROUP has developed since its founding.

Excerpts from “Will FinTech create shared values?” Speech Delivered by Financial Services Agency
Commissioner Nobuchika Mori in May 2017

“Current product line-ups differ from player to player, but none at the moment has a combination of a wide range of financial and non-financial services that can meet the customers’ needs, be it a financial institution or otherwise.”

“As financial services become more sophisticated along with the advance of FinTech, the customers will not be able to assess the technologies behind the services they enjoy, and rather, they are likely to select services based on their trust in companies and their employees who provide the services.”

Source: “Will FinTech create shared values?”, Financial Services Agency
www.fsa.go.jp/common/conference/danwa/20170525/01.pdf

Customer-Oriented Retail-Nature Business

In the past, there have been some who have looked at the individual products and services offered by MARUI GROUP and have been led to believe that the Company’s business model was divided into retailing and finance operations. However, we see it differently. To us, retailing and finance are like two sides of the same coin, and these two concepts cannot be separated from one another in MARUI GROUP’s business. For example, EPOS cards and other financial services are provided through the retail stores that serve as our physical bases for card issuing, and our credit cards are primarily used for shopping purposes. As such, EPOS cards can be seen as a financial service intrinsically linked to non-financial services.

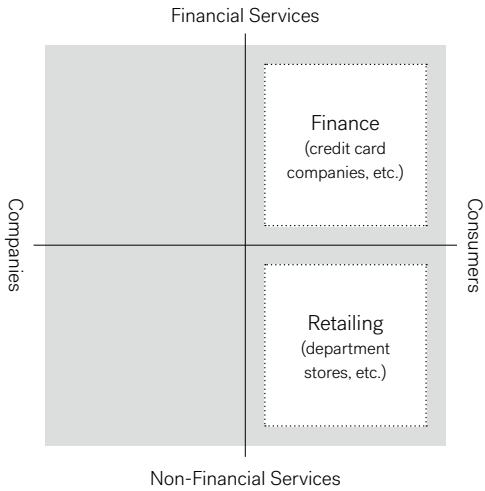
When looking at MARUI GROUP’s business from the perspective of the functions it provides customers, as opposed to the perspective of a business operator, it is clear that both the Company’s financial services and its non-financial services are inherently retail in nature as they cater to consumers instead of companies. We see the ideal form of MARUI GROUP’s retail-nature business as being one that seeks to identify the needs of individual customers based on their lifestyles in order to furnish attentive and fine-tuned responses. By providing combinations of financial and non-financial services based on this vision, we aim to contribute to the realization of a prosperous and inclusive society in which happiness is available to all.

Leading Role as a New Player in the FinTech Market

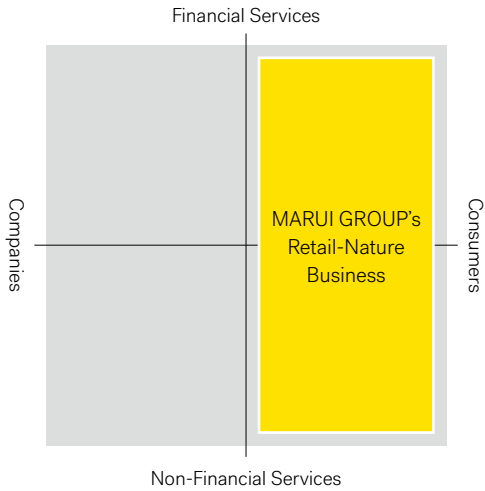
In the aforementioned speech, Financial Services Agency Commissioner Mori explains “As financial services become more sophisticated along with the advance of FinTech, the customers will not be able to assess the technologies behind the services they enjoy, and rather, they are likely to select services based on their trust in companies and their employees who provide the services.” As artificial intelligence, virtual currency, and other sophisticated financial and non-financial services emerge, the competitiveness of financial institutions and other companies will hinge on their ability to provide services that customers judge as both valuable and trustworthy.

The history of MARUI GROUP was built together with customers. Beginning with monthly installment payment sales and thus including consulting with customers about payments, there has never been a clear distinction between our financial and non-financial services. At the same time, MARUI GROUP has been a trailblazer in providing services powered by advanced technologies, issuing Japan’s first credit cards and introducing the industry’s first computer. The Company has thus evolved to possess physical stores that serve as points of contact with customers as well as both financial and non-financial services. We are confident that MARUI GROUP will be able to win customer trust and play a leading role as a new player in the FinTech market.

Definition of Business from a Business Operator Perspective



Definition of MARUI GROUP’s Business



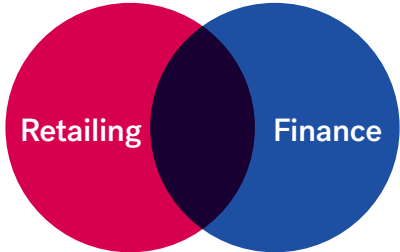
Co-Creation Management Business Model

MARUI GROUP strives to develop a business that turns issues into value through co-creation with its various stakeholders. Japan is known for the various challenges it faces as a developed nation, in its aging population and declining birthrate, and this country has a population of approximately 126.8 million diverse individuals. It is the goal of MARUI GROUP to contribute to the realization of a prosperous and inclusive society in which no one is excluded and happiness is available to all. The path to accomplishing this goal is MARUI GROUP's vision for a co-creation management business model.



- ① Transition to e-commerce
- ② Shift from goods to experiences
- ③ Emergence of a sharing economy
- ④ Declining birthrate and aging population
- ⑤ Increase in demand from inbound travelers
- ⑥ Rise of cashless payment methods
- ⑦ Change of focus from saving to investment
- ⑧ End of era of low interest rates

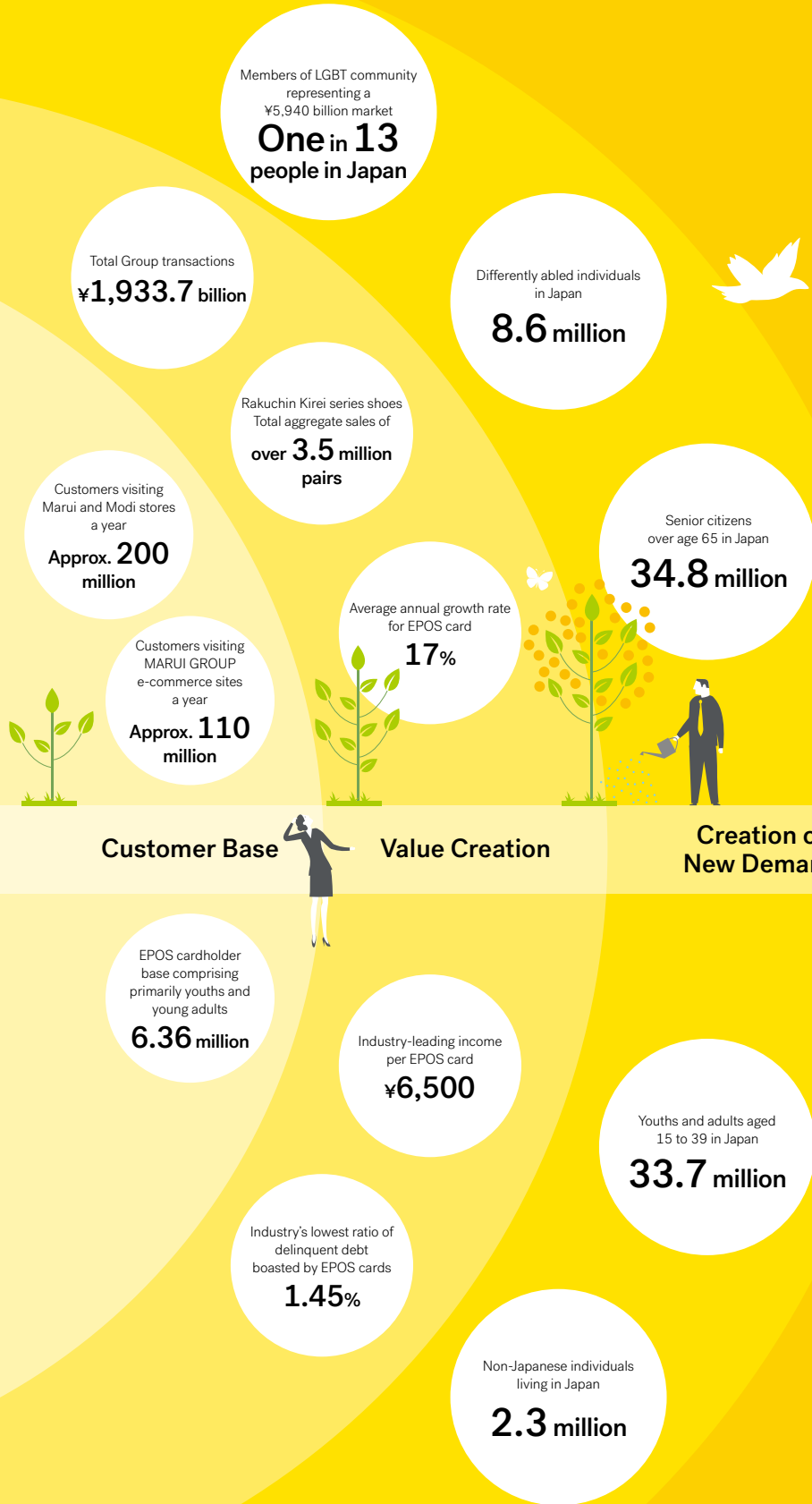
Unique Characteristics of MARUI GROUP Realized through Integrated Group Management



Customer-Focused Employees
Co-Creation Management
Founding DNA
"Creditability should be built together with customers"
"Pioneer spirit of creating opportunities"



Management Base



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A Flourishing and Inclusive Society
Offering Happiness to All