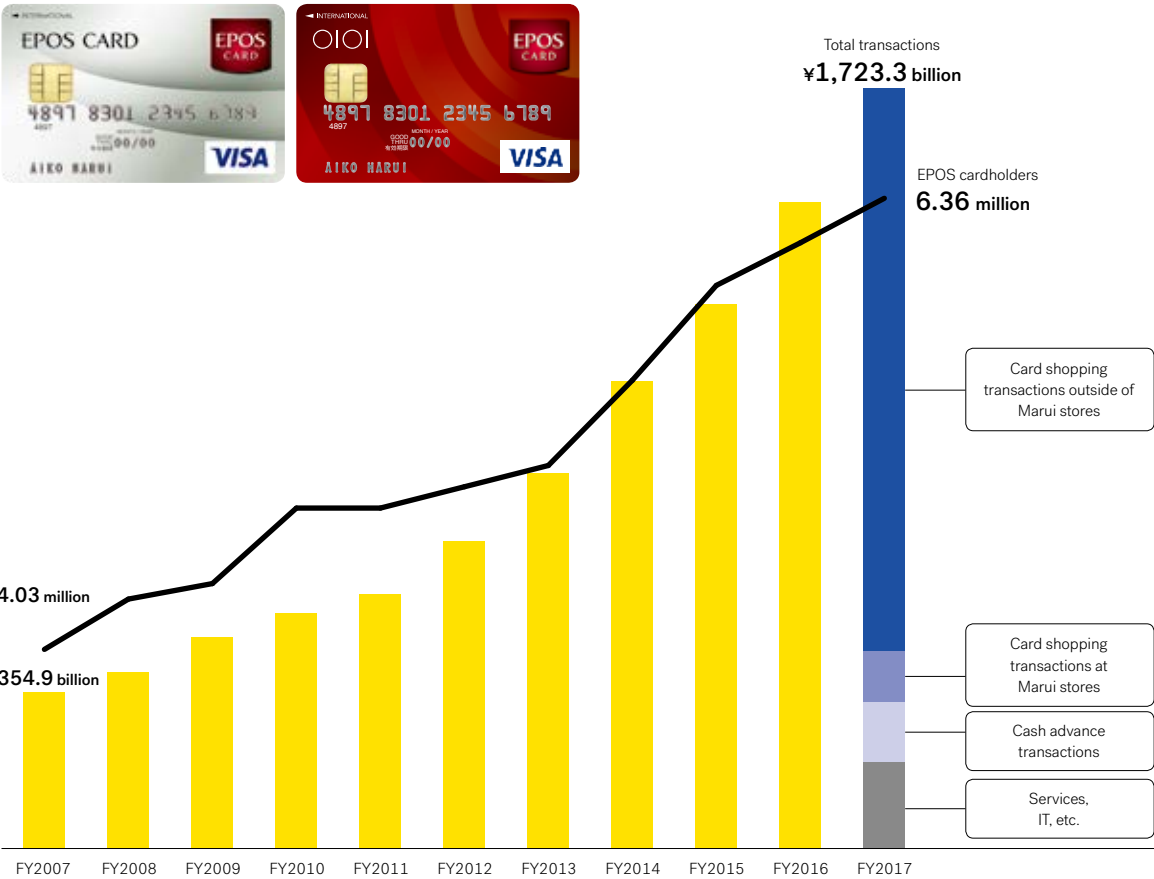


FinTech Business with Annual Growth Rates of 17%

Transactions in MARUI GROUP's FinTech business have continued to grow at an average rate of 17% per year, well above the average of 7% for the credit card industry. Previously, we offered an in-house card that was only usable at MARUI GROUP stores, but everything changed when we received a direct license from Visa Worldwide

Japan Co., Ltd., allowing us to begin offering the EPOS card, a multipurpose card that is usable anywhere in the world. Since its launch in 2006, the EPOS card has contributed to ongoing growth in card shopping transactions, driving the growth of not only the FinTech business but also of MARUI GROUP as a whole.

Transactions in MARUI GROUP's FinTech Business



POINT 1

Cardholder Base Consisting Largely of Youths and Young Adults and Generating High Profitability
We set low credit limits for new applicants, making it easier for students, minors, and other individuals whose income will only start growing in the future to receive credit cards. As a result, for approximately 30%*1 of our cardholder base, the EPOS card was their first ever credit card. In addition, we encourage cardholders to upgrade to Gold cards, which feature no annual fees, based on their usage frequency and amounts. Approximately 25% of cardholders currently carry Gold or Platinum cards. Moreover, Gold cardholders tend to maintain consistently high rates of using revolving and installment payments while making transactions in larger amounts, contributing to higher earnings.

*1 Source: Epos Card Co., Ltd.

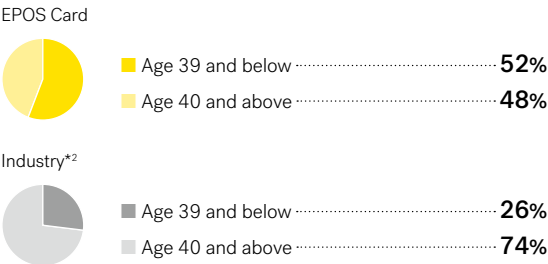
POINT 2

On-the-Spot, In-Store Issuance Made Possible by IT-Powered Operations
System management and development at MARUI GROUP is handled by Group company M & C SYSTEMS CO., LTD. This company develops over 100 systems a year and is capable of delivering speedy service and installing cutting-edge technologies. Thanks to systems developed by this company, we are able to issue EPOS cards on the spot using store tablets in as little as 20 minutes, a world record. In fact, the EPOS card is an IC-chip-equipped Visa card to be issued in this manner. By enabling customers to receive their EPOS card on the spot and use it immediately, we make it more likely that their EPOS card will become their main card, thereby realizing higher rates of active card users.

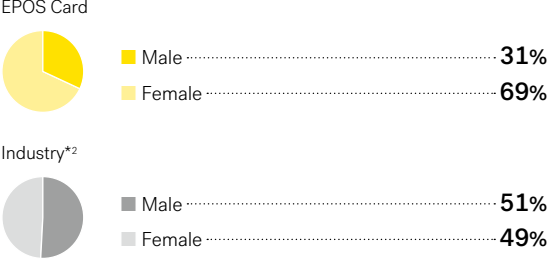
POINT 3

Unique Collaboration Scheme Supporting Nationwide Expansion
As part of our efforts to expand our cardholder base, we issue collaboration cards together with partner facilities and companies from other industries. We establish EPOS card application centers as tenants at partner facilities, which allows us to position application centers across Japan. Furthermore, although standard collaboration cards only grant cardholders access to the benefits of the one partner that corresponds to their card, EPOS collaboration cards allow holders to use the benefits of all partners with just one card. This unique scheme is beneficial for customers and collaboration partners as well as for MARUI GROUP.

Cardholders by Age



Cardholders by Gender



*2 Source: Consumer Credit Statistics from Japan (FY2016), Japan Consumer Credit Association

NEWS
Receipt of 16th Porter Prize by MARUI GROUP's Credit Card Services Business

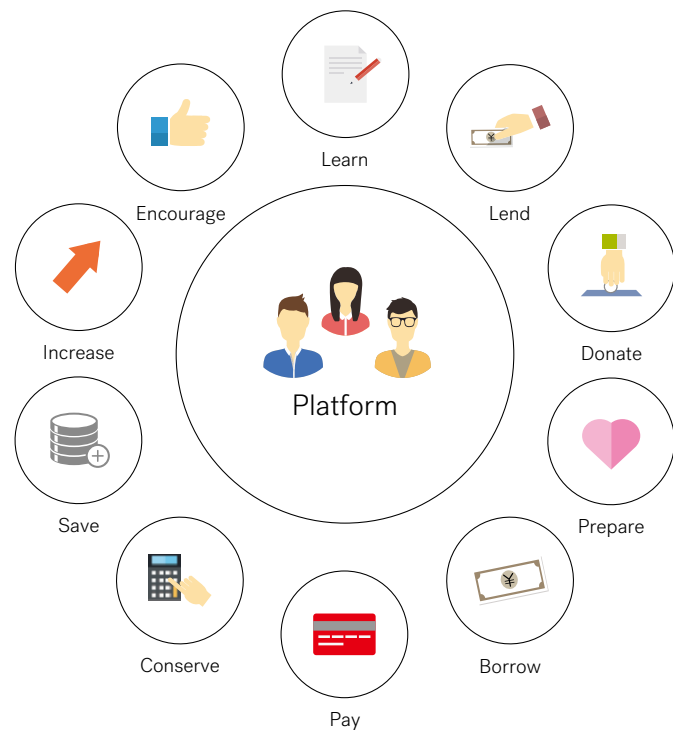
MARUI GROUP's credit card services business has a long history dating back to its founding and the installment payments offered then that gained additional depth when the Company issued Japan's first credit card in 1960. This business was awarded the 16th Porter Prize. The rationale for this selection included a high evaluation of factors such as how we ensure the convenience of credit card issuance in recognition of our cards' position in supporting retail, how our cards are largely held by customers under the age of 40 due to our policy of building creditability together with customers, and the large ratio of revolving payment usage.

www.porterprize.org/english/pastwinner/

About the Porter Prize
The Porter Prize is an award that was created in July 2001 to bestow recognition on Japanese companies that have achieved and maintained superior profitability in a particular industry by implementing unique strategies based on innovations in products, processes, and ways of managing. The name of the award is derived from Professor Michael E. Porter of Harvard University.

Financial Services in Our Daily Lives

MARUI GROUP only provides financial services, such as payment and borrowing services, through its credit cards. In the future, however, the Company will strive to expand its offerings to include services for saving, increasing, and lending money as well as for encouraging others and preparing for contingencies. We will engage in open innovation activities with venture and other FinTech companies to develop such services in various fields.



Employee Comment



Hironobu Mamuro
Credit Management Department
Epos Card Co., Ltd.

A Card Usable by All Customers When and Where They Need It

In 2006, after receiving a direct license from Visa Worldwide Japan Co., Ltd., we began issuing EPOS cards, the world's first IC-chip-equipped Visa card to be issued on the spot in stores (system is patent pending). When the Retailing business began developing stores to cater to customers of all ages, we followed suit by starting up a Groupwide project pertaining to credit cards. Through this project, discussions regarding the ideal form of our credit card were carried out over the course of a year. The conclusion we reached was that our credit card should be a card that is usable by all customers when and where they need it. We thus decided to transition from our previous in-house credit card to a multipurpose credit card. On-the-spot, in-store issuance of an IC-chip-equipped credit card was an unprecedented feat, even for Visa, and this company's high security standards made negotiating for this privilege difficult. Luckily, MARUI GROUP had all of its system development, information security management, and card issuance procedures conducted through a Group company, which enabled us to tackle this challenge through a concerted Groupwide effort. Eventually, we succeeded in receiving approval from Visa thanks to this strength.



Pay

Easy and Smooth Payment

In March 2017, it became possible to use Apple Pay with all EPOS cards. EPOS cardholders are now able to register their card with their iPhone or Apple Watch, a simple process that allows for smooth payments at convenience stores and other locations.



Trial Introduction of Bitcoin Virtual Currency

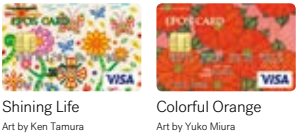
In August 2017, we introduced, on a trial basis, a service at Shinjuku Marui Annex that allows payments to be conducted using the bitcoin virtual currency. The decision to test this service was based on the April 2017 revision to the Payment Services Act as well as the rapid rise in individuals in possession of bitcoins in Japan. The service itself used the bitFlyer wallet smartphone application provided by bitFlyer, Inc., Japan's largest bitcoin broker.



Donate

Cards Designed by Differently Abled Artists

We held a card design contest for differently abled artists. Two of the submissions were selected via customer vote and then transformed into actual cards in June 2017. The issuing fee for a card with one of these designs is ¥500. All of this amount is donated to SHOUGAISHA JIRITSU SUISHIN KIKOU ASSOCIATION, an organization that supports the independence of differently abled individuals.



Donations through EPOS Points

MARUI GROUP has included a donation option on the list of EPOS point exchange options, providing an outlet for cardholders who wish to contribute to society. Well-meaning cardholders can choose from among 14 donation targets that have been sorted into four categories: support for children's education through UNICEF, humanitarian and refugee aid, environmental and regional support, and support for differently abled individuals.



Learn

Money Seminars for EPOS Cardholders

We hold Money Seminars for EPOS cardholders conducted by financial planners. Approximately 80% of the individuals that apply for these seminars are in their 30s or younger, verifying the high level of interest in financial services among young adults.



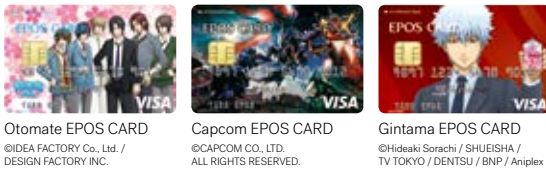
Encourage

Monthly Rent Advanced-Payment Rent Guarantee Service

The ROOM iD advanced-payment rent guarantee service bundles advanced payment and guarantee services for renters. This service eliminates the need for renters to identify a guarantor when moving into an apartment, which has become increasingly more difficult due to the declining birthrate and aging population.

Communication of Anime Content to the World

MARUI GROUP established the Anime Business Department in April 2016 to spearhead efforts to communicate anime content to the world. Anime is an art form Japan prides itself on and is said to have a market value of ¥12 trillion on an annual basis. The department engages in collaborative initiatives that increase the value of anime works and creates EPOS cards with original anime-inspired designs, much to the delight of fans.



Employee Comment



Yoshiki Murabayashi
Anime Business Department
MARUI GROUP CO., LTD.

The Gintama EPOS CARD was issued following MARUI GROUP's participation in the production committee for the live action *Gintama* movie. This card proved immensely popular, with more than 10,000 cards being issued in only two months. I am proud to know that the card and store promotions I carried out based on my experience at Epos Card helped make *Gintama* an even greater hit.

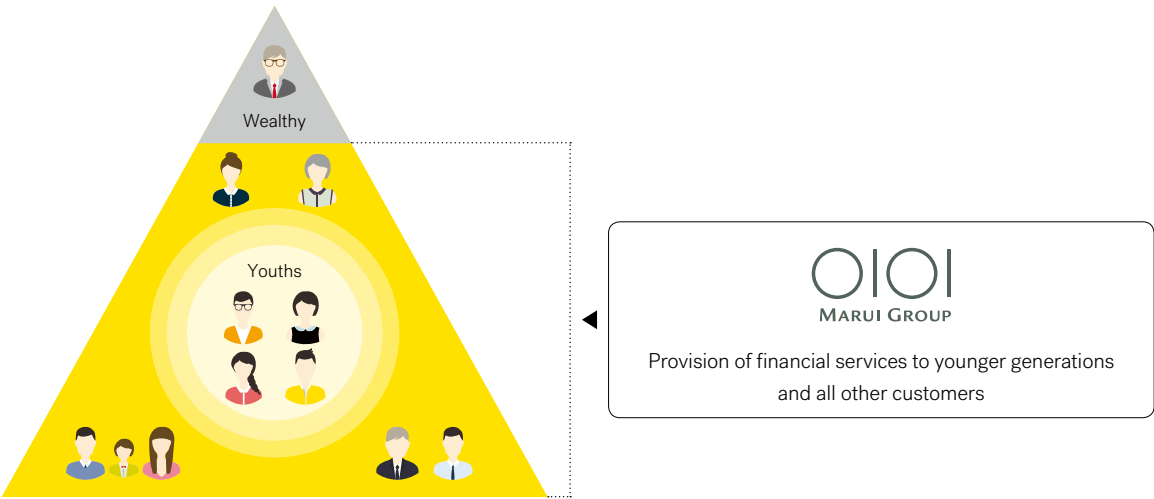
Financial Inclusion of All Customers

MARUI GROUP's vision for financial inclusion is to provide financial services that can enrich the lives of younger generations and everyone else. This vision shares the same perspective as a core concept of the United Nations Sustainable Development Goals—the idea that no one will be left behind.

Services for Younger Generations and Everyone Else

In the past, financial services have primarily been for the wealthy. The concept of FinTech seeks to break away from this tradition by providing financial services that can be used by everyone, regardless of their income or age. MARUI GROUP sees its mission as being to

promote financial inclusion by supplying financial services to everyone. Accordingly, we strive to provide financial services that enrich the lifestyles of everyone, particularly the youths and young adults for whom existing financial services lie out of reach.



Inability of People under the Age of 40 to Secure Sufficient Financial Assets

Ratio of the approximately ¥1,700 trillion worth of financial assets in Japan owned by households headed by people in their 30s or younger

6.6%

Based on Presentation on Inheritance Tax and Donation Tax, Ministry of Finance, October 2015

Increasing Emphasis on Preparing for the Future Among People Aged 18-39

Ratio of people preparing for the future through saving or investment

58.2%

Based on Public Opinion Survey Concerning People's Lifestyles, Cabinet Office, June 2017

Concept of a Prosperous Society

The impetus for MARUI GROUP turning its focus to everyone was the question of what exactly constitutes a prosperous society. An issue faced by Japan is disparity between individuals. When looking at the country, we saw that, although many were successful at accumulating material wealth, there were some that were excluded from this pursuit.

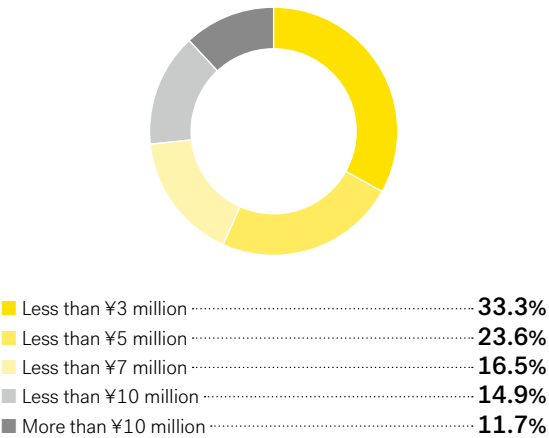
In terms of products, the industry standard sizes for women's shoes, for example, only covered the foot sizes of 72% of Japanese women, excluding many for use of these products. The world of financial services was even more exclusive, as the majority of services were only provided to a limited group of wealthy individuals. Recognizing this fact led us to conclude that society could not be said to be truly prosperous unless products and services are made available to all individuals. Moreover, we came to realize that it would not be enough to simply provide inclusive financial services as social contributions; we would need to also craft these services into a business model that could achieve sustainable growth.

MARUI GROUP's Vision of Inclusion

A large portion of MARUI GROUP's customers are aged 18 to 39. The Company history began with a business of helping young adults that could not purchase expensive furniture in single payments, and this spirit lives on in our operations today. Based on our unique credit philosophy, we have set credit limits for new applicants lower than those of other companies in order to make it easier for university students and minors without credit card experience to apply. Accordingly, the EPOS card is the first card for many of our cardholders, and we have thus been able to forge long-term relationships with these customers.

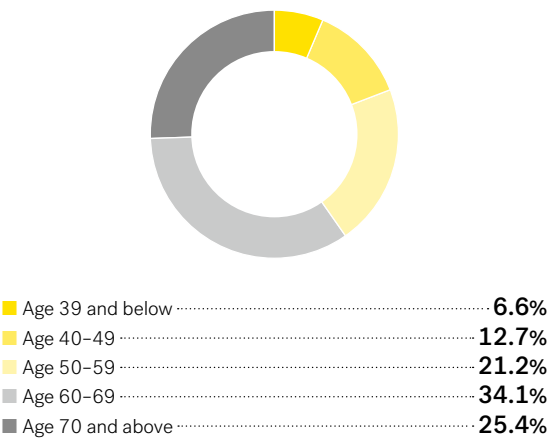
Among developed countries, the portion of financial assets that are in the form of savings is thought to be the highest in Japan. Of the approximately ¥1,700 trillion worth of financial assets in the country, only 6.6% are held by households headed by people in their 30s or below. Nonetheless, the number of youths and young adults focused on preparing for the future is rising. Looking at the social issues expected to arise in the future, MARUI GROUP is branching out from the conventional payment and borrowing services provided through credit cards to offer a wider variety of financial services in its FinTech business, including those for saving, increasing, and lending money, offering monetary encouragement, and preparing for the future. Moreover, we hope to supply these services to youths and young adults as well as to everyone else.

Households in Japan by Income Level



Based on Comprehensive Survey of Living Conditions, Ministry of Health, Labour and Welfare, 2016

Total Financial Assets in Japan by Age of Head of Household



Based on Presentation on Inheritance Tax and Donation Tax, Ministry of Finance, October 2015

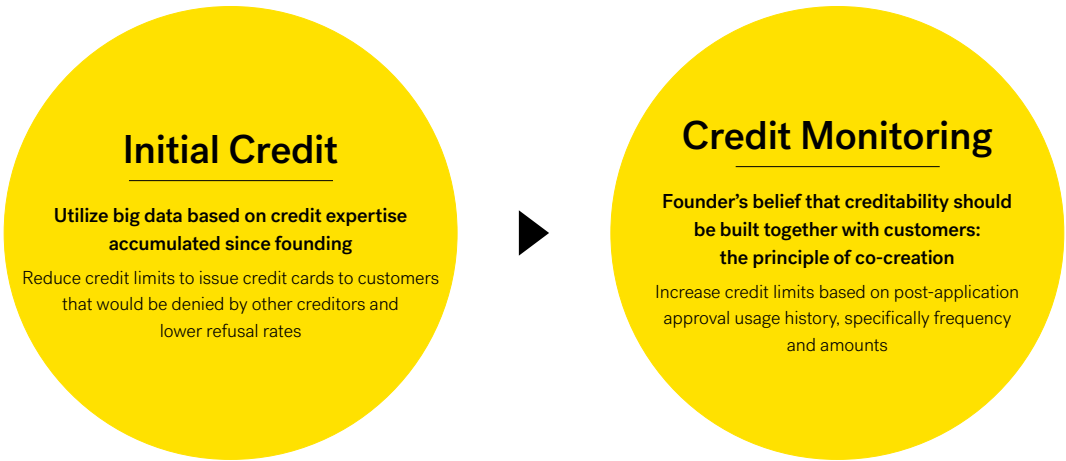
Big Data and Co-Creation Credit Expertise Supporting MARUI GROUP

Since its founding, MARUI GROUP has operated under the basic belief that creditability should be built together with customers. As opposed to being assigned credit based on a customer's age, profession, or income, we feel that credit must be shaped through a customer's usage and payment records. This belief has led to our ratio of delinquent debt being the lowest in the industry at 1.45%.

Basic Credit Philosophy

The credit standards MARUI GROUP uses in judging credit card applications and setting credit limits are based on the belief that creditability should be built together with customers, which we have adhered to since the time of the Company's founding. This belief clearly distinguishes MARUI GROUP from other companies, which generally

base judgments primarily on a customer's age, profession, and income, as the Company instead seeks to build trusting relationships with customers in accordance with their credit card usage frequency and amounts after application approval.

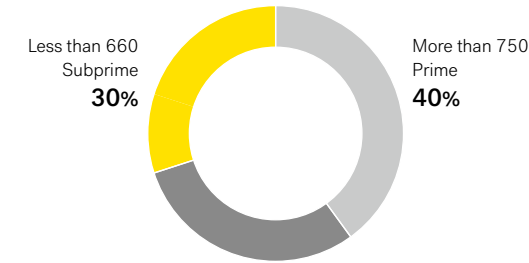


MARUI GROUP's Basic Credit Philosophy	
Credit	Creditability should be built together with customers based on usage and payment histories, regardless of age, profession, or income.
Delayed payments	Responsibility lies with both the customers and the creditor, and a payment solution should be sought together.
Customers that do not pass examinations	Such customers should be refused (while expressing appreciation for applying), and we must continue seeking to improve the accuracy of credit examinations to lower refusal rates.

U.S. Credit Scores and MARUI GROUP's Big Data

In the United States, credit cardholders are assigned credit scores based on their credit histories, and these scores are stored by credit institutions. In addition to credit card usage, credit scores also take into account factors such as housing and automobile loan repayment history, outstanding debt amounts, and other credit information to assign individuals a score of 300–850. The average credit score is around 680, and individuals with scores of less than 660 are considered to be in the subprime range. Roughly 30% of all people in the United States are in this subprime range (see Figure 1). Credit scores are not only referenced when applying for credit cards or bank loans, but also when seeking employment or renting housing. In this manner, credit scores are used to judge various aspects of people's lives, and the level of a person's creditability is decided based on their credit history.

Figure 1: Distribution of Consumers by Credit Score in the United States



Based on Fair Isaac Corporation

Similarly, MARUI GROUP uses credit-related big data collected based on customers' payment histories. When issuing a credit card to a first-time applicant, we conduct examinations based on external credit histories while also utilizing our unique credit expertise. This expertise has been accumulated over the course of MARUI GROUP's history, beginning with the sale of furniture through monthly installment payments at the time of the Company's founding, and is based on our co-creation philosophy of building creditability together with customers. Our credit framework does not entail assigning credit to customers, but rather involves setting a credit limit that is within their means and gradually increasing this limit based on their usage history. Through this framework, our cardholder base has come to largely comprise university students and minors without credit card experience and adults aged 18 to 39. Furthermore, 30% of these individuals received their first ever credit card from MARUI GROUP. From our founding up until today, we have continued to amass extensive amounts of data on customers' credit histories. This data has allowed us to develop wide-ranging expertise with regard to credit, which helps us identify the cases in which credit limits accurately match customers' means and the cases in which a customer will likely become a credit delinquent. Based on this expertise, we are able to increase the accuracy of credit examinations. This data and expertise have evolved into the big data that serves as the initial credit standards used by MARUI GROUP in issuing credit cards.

Credit Philosophy of Building Creditability Together with Customers

Through EPOS cards, we seek to provide customers with their first credit card and encourage them to use this card over the long term. To this end, we set initial credit limits lower than other credit providers in order to supply financial services, namely credit cards, to those customers that could not receive a card elsewhere. This approach has led to a large portion of EPOS cardholders being adults aged 18 to 39, a demographic that tends to have a strong inclination to make purchases. In monitoring customer credit, we use our credit management platform and seek to raise customers' credit limits based on usage history, and have maintained the industry's lowest ratio of delinquent debt as a result. It is common for customers without credit experience or that do not have bank accounts to fail to pass initial credit examinations and therefore not be issued a credit card. At MARUI GROUP stores, however, our refusal rate for credit card issuances is only 8%, whereas other providers exclude a much greater number of individuals, as indicated by the industry average refusal rate of 23%. This difference is a product of MARUI GROUP's credit philosophy of building creditability together with customers.



Toshikazu Takimoto
Managing Executive Officer
Responsible for FinTech Business

U.S. Credit Cycle and MARUI GROUP's Ratio of Low Delinquent Debt

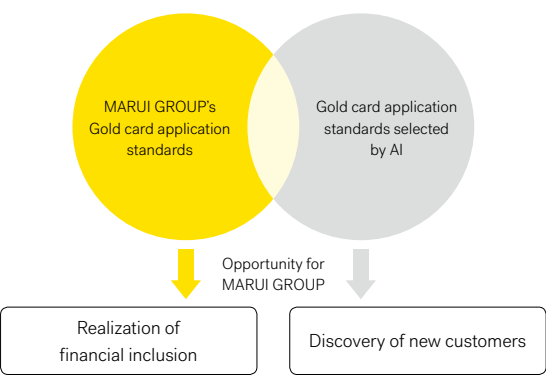
In the United States, there is an ongoing cycle in which loans to subprime individuals leads to an increase in the rate of overdue debt, which causes lenders to refrain from subsequently lending, in turn stimulating a decrease in the rate of overdue debt. This is referred to as the "credit cycle" (see Figure 3). The current stage of this cycle is the one in which its overdue debt rates rise, meaning that even credit card companies with impressive transaction volumes cannot ensure that this topline growth will translate to higher profit. When viewed from an inclusion perspective, altering lending volumes based on the credit cycle will not be at all helpful in reducing customers' concerns for their livelihood or in resolving issues surrounding subprime borrowers.

MARUI GROUP's own experience is a counter example to the credit cycle. Although the ratio of delinquent debt rose temporarily over the period from 2005 to 2008, due in part to the impacts of the revision of the Money Lending Business Act, this ratio has continued to decline thereafter, recently reaching the industry low of 1.45%. At the same time, EPOS card transactions have been growing at an average rate of 17% per year, dwarfing the Japanese credit industry average of 7% per year. This ability to defy the standard set by the U.S. credit cycle indicates that MARUI GROUP's business represents a model for achieving sustainable growth while simultaneously realizing financial inclusion (see Figure 4).

Improvement of Credit Standard Accuracy Using Artificial Intelligence

A major characteristic of MARUI GROUP's credit standards is that they are based on credit information relating to individual customers' shopping habits and lifestyles. In 2016, we conducted an experiment using artificial intelligence (AI) to verify the accuracy of our standards for Gold card applications. This experiment indicated a difference between the Gold card application standards used by the Company and those selected by AI. The results also showed that our credit standards are distinct from those of other companies using AI. At the moment, we are monitoring the usage patterns of the individuals that AI has newly selected as Gold card candidates to further improve the accuracy of our credit standards (see Figure 2).

Figure 2: Comparison of Gold Card Application Standards



Hirotsugu Kato
Director and Senior Executive Officer
General Manager, IR Department
In charge of Corporate Planning and ESG Promotion

Unprecedented Business Model Not Seen Anywhere Else in the World

When I was visiting the United States as part of our investor relations activities in July 2017, a credit card industry analyst asked how, despite having a customer base primarily consisting of youths and young adults, we were able to achieve industry-leading levels of growth while maintaining and even decreasing the ratio of delinquent debt for EPOS cards. It was through this exchange that I first learned of the credit cycle. In the United States, if the number of subprime cardholders goes up, the rise in lending to these cardholders will almost assuredly cause an increase in the ratio of delinquent debt. This principle is common sense within the industry in the United States. However, EPOS cards deny this principle by maintaining average annual growth of 17% combined with a decreasing ratio of delinquent debt. This accomplishment is no doubt a result of the credit expertise, currently grounded in co-creation and big data, that we have unconsciously exercised since the Company's founding. This particular investor relations visit made me recognize that MARUI GROUP's business model is unprecedented, not being seen anywhere else in the world. At the same time, I came to realize that the strengths of the Company were not accurately understood. Addressing this issue will be a task for future investor relations activities.

Figure 3: Credit Card Receivables and Ratio of Overdue Debt (More Than 90 Days Overdue) in the United States

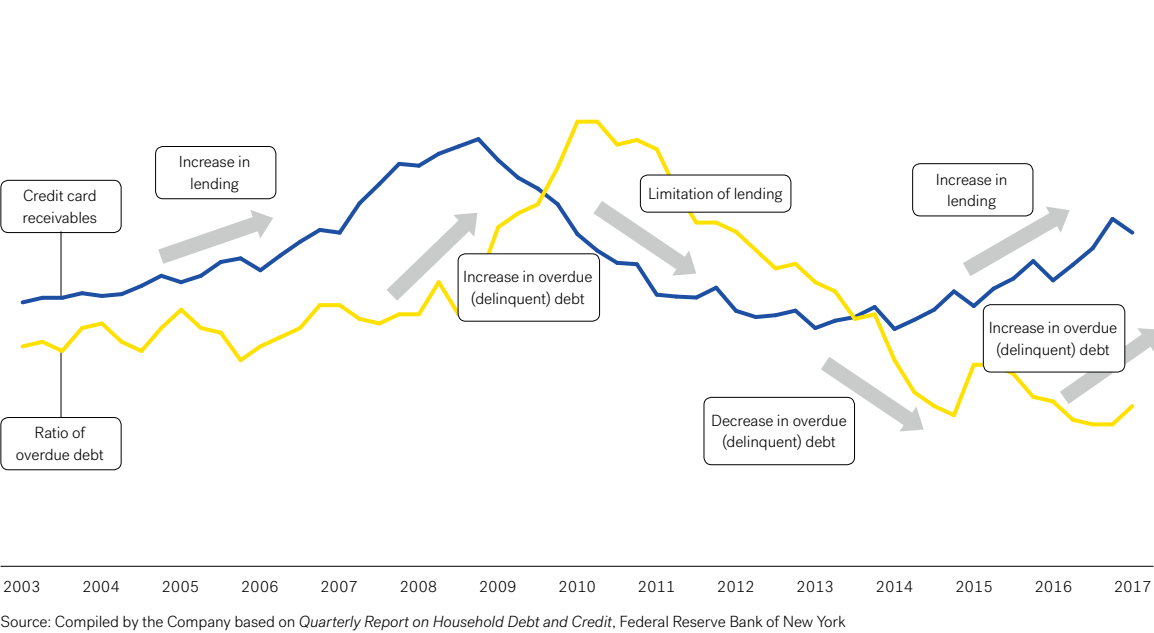


Figure 4: EPOS Card Operating Receivables and Ratio of Delinquent Debt

