

## Progress and Future Strategies in the FinTech Segment

### New Card Applications Surpassing 800,000 Target and Transactions Exceeding ¥2.0 Trillion

In the fiscal year ended March 31, 2019, operating income in the FinTech segment increased for the seventh consecutive year, rising ¥3.6 billion year on year, to ¥35.0 billion. ROIC reached 4.2%, achieving the medium-term management plan's target of 4.1% two years ahead of schedule due to operating income growth and improvements in invested capital that resulted from the liquidation of receivables.

Total EPOS card transactions rose 17%, to ¥2.3 trillion, exceeding ¥2.0 trillion for the first time. In addition, we have sustained an average annual growth rate of 19% for EPOS card transactions over the past 10 years, greatly outpacing the industry average of 7% for the same period (see Figure 1). Card shopping transactions rose to ¥1,880.0 billion, with an average annual growth rate of 26% in use by Gold and Platinum cardholders driving overall transaction growth over the past five years.

In regard to revolving and installment payment transactions, we have been expanding the number of affiliates at which installment payments can be used while introducing services allowing customers to change to installment payments after purchases. Owing to these initiatives, installment payment transactions showed a substantial increase, contributing to a 25% year-on-year increase in

the volume of revolving and installment payment transactions in the fiscal year ended March 31, 2019. As a result, the balance of revolving and installment payments on March 31, 2019, was 1.6 times higher than on March 31, 2016, before installment payment initiatives were stepped up, of which the balance of installment payments was 5.1 times higher (see Figure 2). Users of these payment methods were up. In addition, the ease of using installment payment transactions in a planned manner stemming from their short repayment periods led to higher usage amounts and thereby growth in transaction volumes. These factors contributed to increases in transaction volumes and subsequently affiliate commissions. The rise in the portion of our total balance of receivables accounted for by installment payments, which feature relatively low rates of default, enabled us to limit bad debt-related expenses while improving ROIC.

Revenue from rent guarantee services, meanwhile, amounted to ¥6.5 billion in the fiscal year ended March 31, 2019, continuing the strong growth that has manifested in an average annual growth rate of more than 30% over the past five years. At the same time, transactions for rent payments using EPOS cards rose to approximately ¥260.0 billion, representing more than 10% of the total transaction volume.

On March 31, 2019, we had a total of 6,880,000

Figure 1: Total EPOS Card Transactions

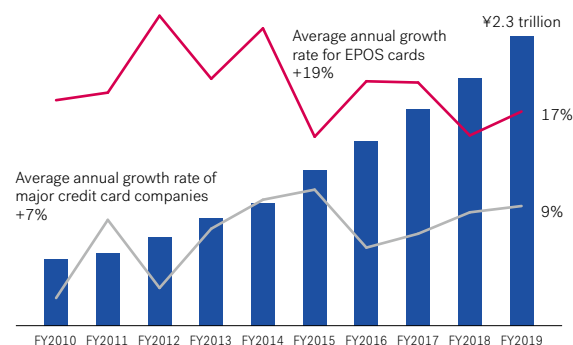
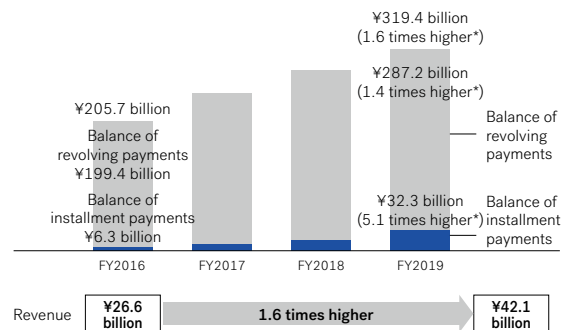


Figure 2: Balance of Revolving and Installment Payments and Revenue



\* In comparison with the fiscal year ended March 31, 2016

### Message from FinTech Segment Representative



**Masao Nakamura**  
Director and Senior Managing  
Executive Officer  
Responsible for FinTech Business

### Creation of New Financial Services to Realize Long-Term Vision

The FinTech segment has continued to see strong growth in EPOS card shopping transactions with an average annual growth rate of 19% over the past 10 years, more than twice the industry average. Whereas credit cards have supported the growth of the Retailing segment in the past, this relationship has since been reversed with stores now underpinning the growth of credit cards. The Retailing and FinTech segments are thus in a completely complementary relationship. One of the roles of the FinTech segment is to facilitate high levels of ongoing engagement with customers. We also have a clear mission: growing cardholder numbers while increasing LTV, creating new financial services to drive future growth, and addressing the accelerating digitization trend to further us on the path toward our long-term vision.

EPOS cardholders, of which the rapidly growing number of Gold and Platinum cardholders was 2,150,000. In addition, new card applications surpassed 800,000. Applications at stores and external commercial facilities have remained consistently above 500,000 while the number of individuals applying via the Internet or through service-related venues has risen. In the fiscal year ended March 31, 2019, MARUI GROUP commenced collaboration with eight new commercial facilities, bringing the total number of partner facilities to 25 and raising our cardholder share both inside and outside of MARUI GROUP's business area. (see Figure 3).

After commencing service in August 2018, tsumiki Co., Ltd., has primarily seen patronage by younger and first-time investors, as we had anticipated. The ratio of active accounts as well as average monthly investments exceeded our targets, whereas the number of applications in the fiscal year ended March 31, 2019, fell below the target at 16,000.

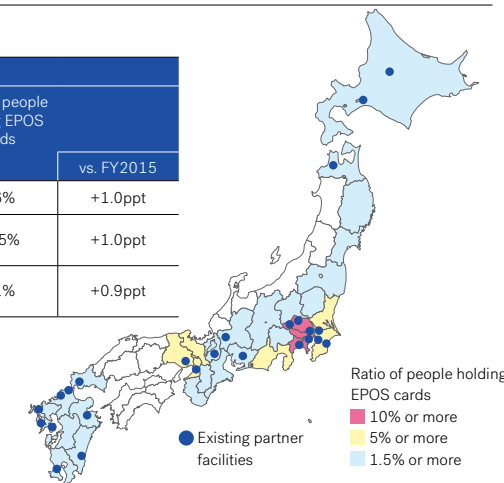
### Maximizing the Share of EPOS Card Payments among Household Finances

The FinTech segment is advancing a unique strategy of maximizing the share of EPOS card payments among household finances with the goal of addressing the trend toward cashless payments and increasing LTV. Currently, the average share of EPOS card payments in the household finances of cardholders stands at 12%. While this share is only 5% for standard EPOS cardholders, it has been growing rapidly to 17% for Gold cardholders and 41% for Platinum cardholders. Gold cardholders account for the largest amount of transactions among the different card types, and the average share among these cardholders is 17%. There is significant room for growth in this area given that those Gold cardholders who have low shares of less than 10% represent approximately 40% of all Gold cardholders.

Households in which EPOS card payments represent a large share of household finances tend to make rent and other recurring payments using their credit card. This

Figure 3: EPOS Cardholder Statistics

	FY2015	FY2019			
		Cardholders	Ratio of people holding EPOS cards	vs. FY2015	vs. FY2015
Total	5,910,000	6,880,000	+16%	6.6%	+1.0ppt
Inside business area	5,250,000	5,750,000	+10%	11.5%	+1.0ppt
Outside business areas	670,000	1,130,000	+69%	2.1%	+0.9ppt



tendency leads cardholders to also use their card for payments traditionally made with cash, such as those for food or leisure, further increasing the share of EPOS card payments in household finances. As a result, the rate of upgrades to Gold cards as well as LTV is four to five times higher than those of customers that do not use their EPOS card for such recurring payments. Accordingly, increasing the number of cardholders that use their card for rent and other recurring payments will be a cornerstone of MARUI GROUP's strategy of maximizing the share of EPOS card payments among household finances.

### Ever-Growing Rent Guarantee Services

MARUI GROUP's strengths in the rent guarantee services market include services that allow for points to be accrued through rent payments, perhaps one of our business' most noteworthy features, as well as the efficient business operations made possible through joint operation with our credit card services business, the system capabilities that enable us to respond to the needs of our business partners, and the high reliability backed by MARUI GROUP's financial capacities. MARUI GROUP looks to promote the use of its rent guarantee services both through collaboration with Sumitomo Forestry Residential Co., Ltd., and ABLE INC. We will also encourage cardholders living in rental properties to use our rent guarantee services through our proprietary website. In this way, we will target revenue from our ever-growing rent guarantee services of more than ¥10.0 billion in the

fiscal year ending March 31, 2021 (see Figure 4).

\* Based on estimates by Epos Card Co., Ltd.

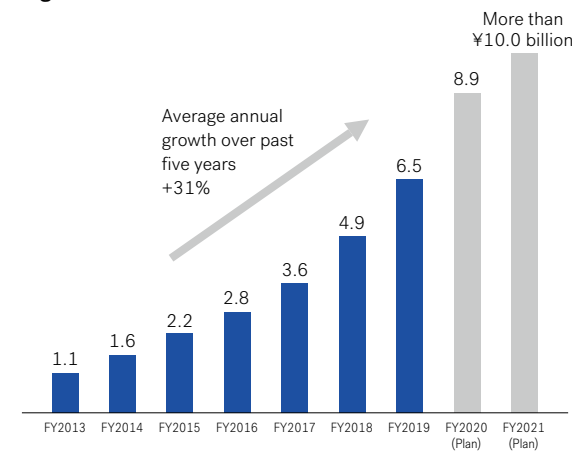
### Collaboration for Promoting E-Commerce Use and New Applications

MARUI GROUP is collaborating with GMO Payment Gateway, Inc., to promote e-commerce use among EPOS cardholders and expand its cardholder base. Normally, when someone wants to make payments via e-commerce websites, they are required to register their credit card number with each individual website. However, the collaborative scheme with GMO Payment Gateway will make it possible for a customer to use the same ID and password for all affiliated e-commerce websites. In addition, EPOS cardholders will be recruited through affiliated websites, and we will employ real-time inspections that are available 24 hours a day to enable card application, payment, and use of application benefits to be conducted simultaneously. Through these initiatives, MARUI GROUP is targeting more than 200 affiliates and over 100,000 new card applicants in the fifth year of service.

### Growth of EPOS Family Gold Cardholders

The EPOS Family Gold card (see Figure 5) launched in 2018 is currently held by 110,000 individuals in 50,000 households. As all members of households with an EPOS Family Gold cardholder are encouraged to become holders of this card, the average share of EPOS card payments in household finances has risen from the prior

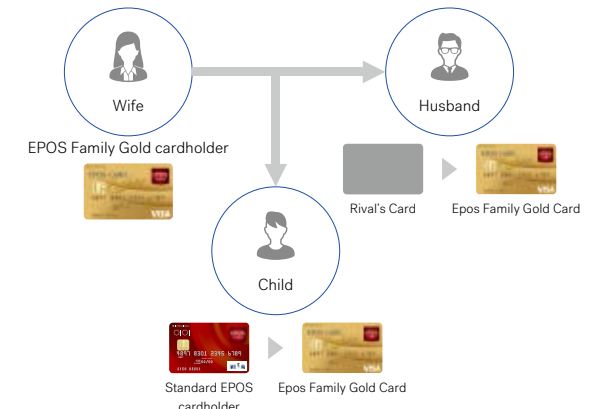
Figure 4: Revenue from Rent Guarantee Services



14% to 23%. We aim to have these cards held by more than 1 million individuals in 500,000 households five years from now.

The FinTech segment looks to achieve growth in total transactions of between ¥800.0 billion and ¥1,000.0 billion by increasing the number of Gold cardholders and raising the share of EPOS card payments in the household finances of Gold cardholders from the current 17% to between 22% and 25% over the next five years. If these goals are achieved, the share of EPOS card payments in the household finances of all EPOS cardholders is projected to rise from 12% to 16%.

Figure 5: Conversion of All Family Members into EPOS Family Gold Cardholders



Through these initiatives, we will raise total transactions in the FinTech segment above ¥5.0 trillion five years from now, a level that is top-class in the industry.

### Future Outlook

In the fiscal year ending March 31, 2020, we anticipate ROIC of 4.4% and operating income of ¥39.0 billion, up ¥4.0 billion. Furthermore, the FinTech segment targets for the fiscal year ending March 31, 2021, call for ROIC of 4.5% and operating income of ¥42.0 billion or more.

### Message from FinTech Segment Representative



Yoshinori Saito

Managing Executive Officer  
President and Representative Director,  
Epos Card Co., Ltd.

### Maximization of Share of EPOS Card Payments in Household Finances to Boost LTV

In the fiscal year ended March 31, 2019, card applications through commercial facilities, the Internet, and service-related venues proceeded as planned, and the number of new card applications exceeded 800,000 for the first time, bringing the total number of cardholders to nearly 7 million. Another first, total transactions surpassed ¥2.0 trillion.

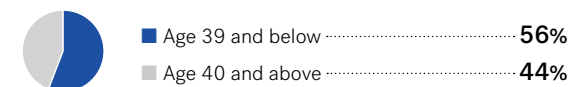
We are targeting the maximization of the share of EPOS card payments in household finances in order to respond to the future advancement of the trend toward cashless payments.

We are maximizing the share of EPOS card payments in household finances by promoting the use of EPOS cards for rent, utilities, and other payments primarily made via bank transfers. We thereby aim to promote ongoing use among existing cardholders while encouraging them to use their EPOS card as their main card. To accomplish these objectives, we will partner and collaborate with companies in the new areas of rent guarantee services, recurring payments, and subscription-type services. Other initiatives will include encouraging all members of cardholders' families to become cardholders with the EPOS Family Gold card.

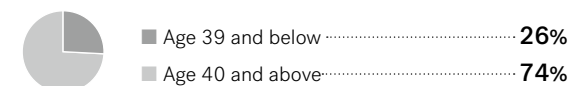
Going forward, we will seek to maximize the share of EPOS card payments in household finances to increase LTV while growing EPOS cardholders through collaboration and nationwide expansion.

### Overview of FinTech Segment (Fiscal year ended March 31, 2019)

#### EPOS Cardholders by Age\*1



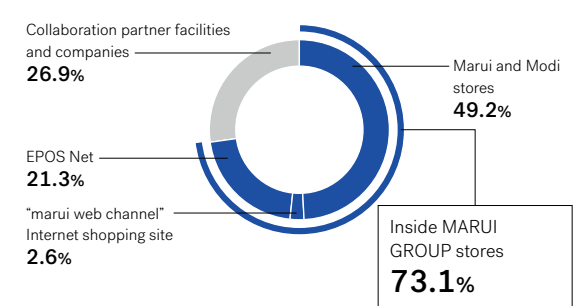
#### Industry Cardholders by Age\*2



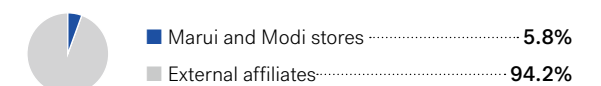
#### EPOS Cardholders by Gender\*1



#### Distribution of EPOS Card Applications by Venue



#### Breakdown of EPOS Card Usage by Venue



\*1 Active cardholder base

\*2 Source: Consumer Credit Statistics from Japan (FY2018), Japan Consumer Credit Association