Innovation and Evolution of Business Model

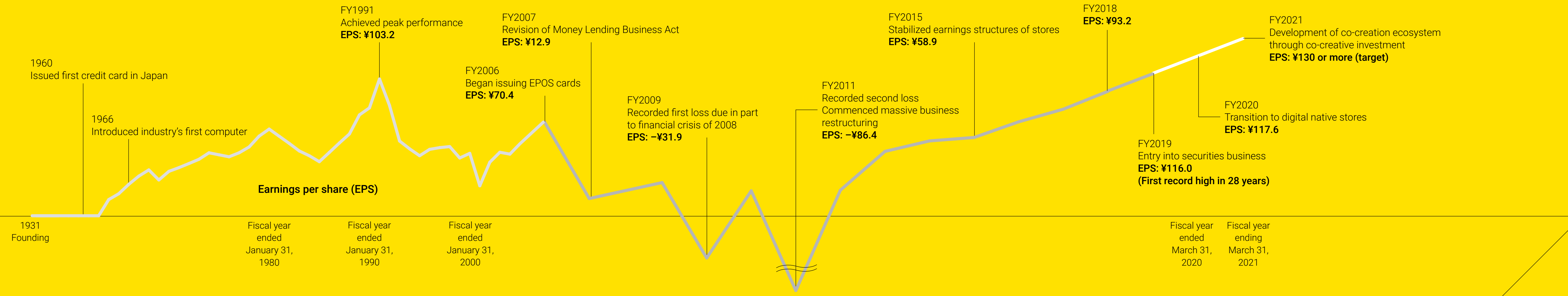
We have continued to evolve and innovate MARUI GROUP's distinctive business model, which merges retailing and finance, in response to changes in the times and customer needs. Looking back at this history of innovation and evolution, it is apparent that this was not a linear process. Rather, sudden innovation and evolution was achieved only after we had first abandoned the methods that had led us to success previously. The belief that creditability should be built together with customers and the pioneer spirit of creating opportunities advocated by MARUI GROUP's founder mirror the course of the evolution and innovation of MARUI GROUP's business model.

Intellectual Creation Business Driven by Co-Creative Investment (2019 ~)

Third president: Hiroshi Aoi (16 years of service)

As MARUI GROUP's capital-intensive fintech operations grew, the Company proceeded to invest in cultivating its IT staff while also directing investment toward D2C brands, start-up companies, and new business fields. This co-creative investment has come to stand alongside retailing and fintech as a third pillar of MARUI GROUP's business model. We have thus embarked on management aimed at developing an intellectual creation business through investment in intangible assets in order to create value that is greater than the sum of its constituents by pursuing synergies between these three pillars.

	1931 (founding) ~	2006 ~	2019 ~
Business model	**Labor intensive** Retailing driven	**Capital intensive** FinTech driven	**Intellectual creation*** Retailing, FinTech, and Co-Creative Investment
Assets / Investment	**Fixed assets** / **Investments in tangible assets**	**Financial assets** / **Treasury stock acquisitions**	**Intangible assets** / **Investments in intangible assets**



Labor-Intensive Retailing-Driven Business (1931–2005)

1931–1972

Founder: Chuji Aoi (41 years of service)

MARUI GROUP's business initially involved selling furniture through monthly installment payments. Furniture in those days was exceptionally expensive, meaning that some people lacked the on-hand funds necessary to purchase furniture. We sought to accommodate these customers by selling them furniture while at the same time providing them with credit. By lending money through monthly installment payments, we developed a business merging retailing and finance.

Customers	New families
Products	Furniture, consumer electronics, and other durable goods
Credit cards	Japan's first credit card
Stores	Monthly installment payment stores

1972–2005

Second president: Tadao Aoi (33 years of service)

Income levels in Japan rose during the period of the Japanese economic miracle, causing the need for credit sales of durable goods to decline in the 1980s and leading other stores using the monthly installment payment system to abandon retailing to focus on finance. MARUI GROUP, meanwhile, turned its attention to the growing field of fashion. By providing credit to younger generations, we were able to include this previously neglected demographic and to innovate our business model merging retailing and finance without abandoning the retail side.

Customers	Younger generations
Products	Fashion
Credit cards	Akai Card (Red Card) in-house credit card
Stores	Department stores

Capital-Intensive FinTech-Driven Business (2006–2018)

2005–Present

Third president: Hiroshi Aoi (16 years of service)

After partnering with Visa Inc. to transform its prior in-house credit cards into multipurpose EPOS cards usable anywhere in the world, MARUI GROUP continued to develop its business model merging retailing and finance, but with finance replacing retailing as the main proponent of growth. The Company would later redefine its credit card business as a fintech business with the goal of providing financial services for everyone in response to the diversification of payment methods that accompanied the trend toward cashless payments.

Customers	All ages (everyone)
Products	Lifestyle proposals
Credit cards	Multipurpose EPOS card
Stores	Shopping centers

*** Investments in Intangible Assets Surpassing Investments in Tangible Assets**

In the past, MARUI GROUP was primarily a retailer with financial functions with its credit cards serving to prop up its stores. Accordingly, tangible assets, such as the land and stores of its retailing operations, exceeded credit card operating receivables on the Company's balance sheet. However, this changed with the launch of EPOS cards in 2006. After this, card shopping transactions rose sharply, and credit card operating receivables came to surpass noncurrent assets in the fiscal year ended March 31, 2014. The transition to fixed-term rental contracts commenced in the fiscal year ended March 31, 2015, caused a decline in investments in stores and other tangible assets, while investments in fintech operations, co-creative investments in new businesses, and investments in human resources continued. As a result, investments in intangible assets surpassed investments in tangible assets in the fiscal year ended March 31, 2019.