

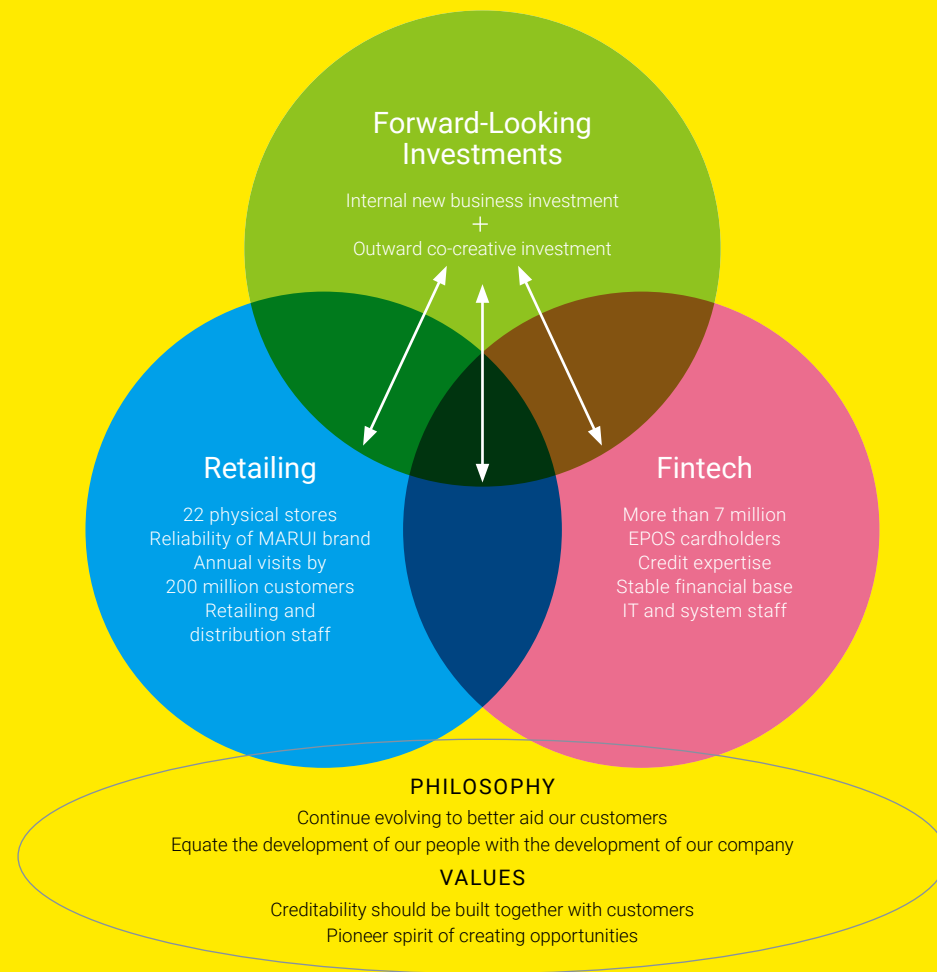
02 BUSINESS STRATEGY

BUSINESS STRATEGIES FOR ACHIEVING POSITIVE IMPACT

Business Merging Retailing, Fintech, and Forward-Looking Investments

For MARUI GROUP, corporate value entails creating harmony between the interests and happiness of all of our stakeholders and growing the intersection of these interests and happiness. We are therefore committed to improving corporate value and resolving social issues through co-creation with stakeholders in order to have a positive impact on society.

Efforts on this front going forward will be advanced under a new business model that includes the third pillar of forward-looking investments along with the prior pillars of retailing and fintech founded on our core value—the co-creation of creditability. By pursuing synergies through this business model, we aim to generate value that is greater than the sum of its constituents.

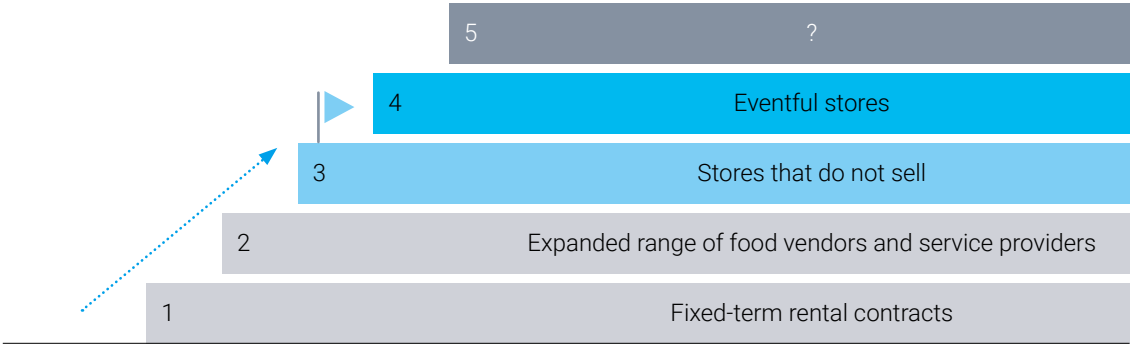


Rapid Evolution Toward Stores That Do Not Sell and Eventful Stores

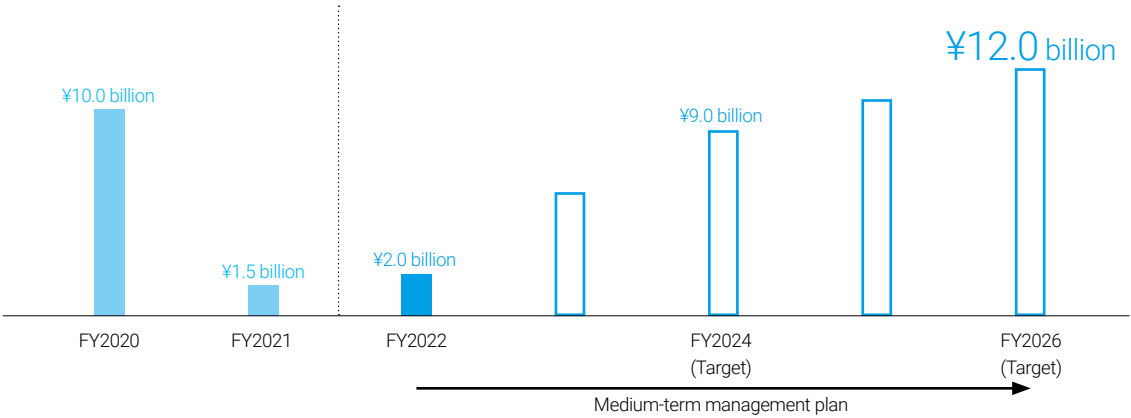
The transition to shopping centers and fixed-term rental contracts was a priority measure under the previous medium-term management plan. MARUI GROUP targeted a 100% transition rate during the period of this plan, a target we quickly met with a transition rate of 106% in the fiscal year ended March 31, 2019. However, even with this success, we failed to achieve the targeted income improvements as a result of the sluggish performance of apparel items through e-commerce channels and directly operated sales floors.

In the Retailing segment, an opaque outlook remains with regard to commercial real estate as a result of the COVID-19 pandemic. MARUI GROUP looks to overcome the adversity by fully accelerating its evolution of the department store business model. Specifically, we are promoting stores that do not sell and eventful stores. Stores that do not sell involve forward-looking store development efforts advanced through co-creation with tenants whose businesses have predominately been confined to online venues thus far. Eventful stores involve arranging an increasingly broad spectrum of events that support people pursuing their interests, such as anime. These stores also serve as avenues for improving the value of our retailing facilities through coordination with the FinTech segment. Accelerating this evolution will no doubt contribute to the growth of tenants as well as to the development of physical stores that capture the hearts of wider swaths of customers. MARUI GROUP aims to achieve ongoing earnings growth through this approach with the goal of posting operating income of ¥12.0 billion in the fiscal year ending March 31, 2026.

Evolution of Department Stores



Operating Income



RETAILING

Transition to Stores That Do Not Sell, Positioning Them as a Platform for Merging Online and Offline Spaces

In its efforts to create the stores of the future, MARUI GROUP is transitioning to stores that do not sell through means such as collaborating with tenants who started their business online and attracting tenants that provide food, services, or experiences.



Mercari Station

Mercari Station is a physical venue associated with the Mercari peer-to-peer sales app that has services appealing to first-time and heavy app users alike. Here, customers can learn how to put their items up for sale as well as get tips for greater success in sales. There are even photograph booths that can be used to take more appealing pictures of items to be sold.



SHIBUYA BASE

SHIBUYA BASE is a space at which e-commerce brands that use the BASE online shop creation service can sell their products in a physical environment over limited-time periods. This physical venue allows prospective customers to learn about brands and to actually see and touch their products before purchasing. Moreover, SHIBUYA BASE offers e-commerce brands seeking to open physical stores an opportunity to try their hand at store operation without paying the fees that would normally be necessary to open stores.



FABRIC TOKYO

FABRIC TOKYO Inc. opens physical outlets for its direct-to-consumer (D2C), made-to-order suit brand in MARUI GROUP stores. At locations in Shinjuku Marui Main Building and other facilities, customers are able to experience the entire custom-ordering process, encompassing such steps as measuring and choosing materials and fabric. Moreover, the data from measurements taken in-store can be used for subsequent purchases either at physical stores or online.

Fun Eventful Stores Offering New Discoveries for Supporting the Pursuit of One's Interests

At eventful stores, we arrange a variety of events related to content, like anime and video games, as well as to new businesses. These events are meant to draw customers to these stores, which function as outlets for supporting people in pursuing their interests.



Tokyo Revengers Event

Exhibition events commemorating the release of the *Tokyo Revengers* movie were held at Shibuya Modi, Hakata Marui, and Namba Marui. The many visitors drawn to the events were treated to exhibits related to the live action movie adaptation of this anime series along with the opportunity to purchase merchandise featuring anime artwork that was produced specifically for this event.

Ken Wakui, Kodansha Ltd., Tokyo Revengers Movie Production Committee, 2020



Gluten-Free and Vegan Confections

An event was held at a MARUI GROUP store at which we sold particularly popular offerings from among the brands provided by the vee ga boo vegan confection mail order service. This event featured a lineup of more than 150 products including exclusive items and those not available through mail order centered on confections that do not contain wheat, milk, or eggs, tracking a wide variety of customers, with and without allergies.



KOREAJU

KOREAJU is a South Korean cosmetic boutique that primarily sells its products through online venues. Regular KOREAJU events are held at MARUI GROUP stores. These events have received a lot of positive attention for the testing stations that let visitors try out South Korean cosmetic products at their leisure as well as for the opportunity to interact with members of the staff who share their love for these products. In fact, some customers have even gone as far as to state their desire for these cosmetics to become a constant fixture.

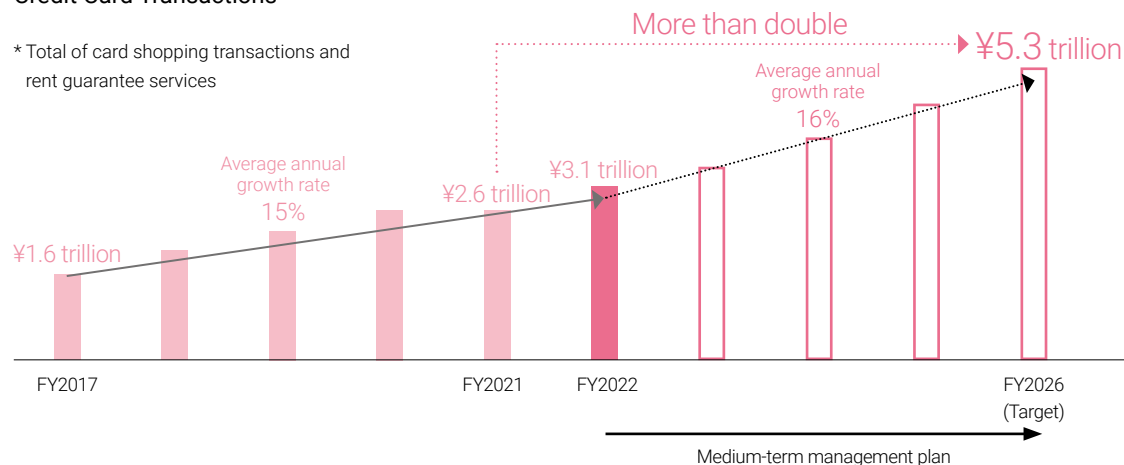
Growth Driven by Trend Toward Cashless Payments

MARUI GROUP's credit card transactions have shown an average growth rate of 15% over the five-year period beginning with the fiscal year ended March 31, 2017, surpassing the domestic market average during this period. As a result, credit card transactions amounted to ¥2.6 trillion in the fiscal year ended March 31, 2021, the final year of the previous medium-term management plan. The COVID-19 pandemic forced people to stay at home and stores to close and thus placed downward pressure on transactions related to travel, entertainment, and large-scale commercial facilities. However, we were able to compensate for these negative impacts thanks to the benefits of our ongoing efforts to encourage customers to use their EPOS cards for rent and other recurring payments as well as through strong growth in the use of credit cards for e-commerce purchases. This strategy of maximizing the share of EPOS card payments in relation to household finances with a focus on rent, other recurring payments, and e-commerce has led transaction volumes to double from the level of the fiscal year ended March 31, 2016. Transactions associated with this strategy have thus come to represent 46% of credit card transactions. One component of these transactions is rent guarantee services. The volume of transactions for these services has been growing by 26% a year on average, generating revenue of ¥10.0 billion, due to the progress of joint initiatives with a major partner.

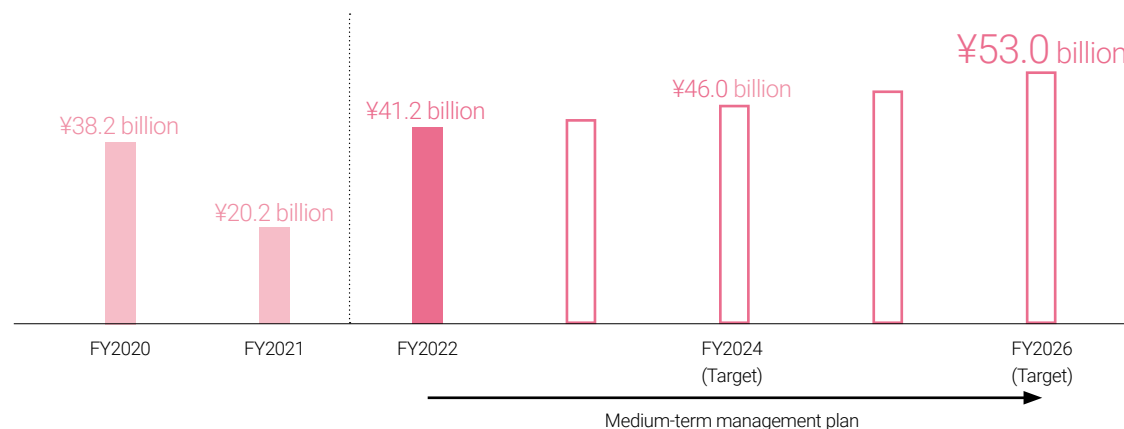
The credit card market is expected to enjoy an average annual growth rate of 8% over the coming five years, due in part to the favorable environment created by the trend toward cashless payments, and the scale of this market is thus projected to surpass ¥100 trillion in the fiscal year ending March 31, 2025. In this promising environment, MARUI GROUP looks to maintain high growth rates that outpace the market by taking advantage of the market growth while also growing through its own efforts. Accordingly, we have set the target of achieving credit card transactions of ¥5.3 trillion, more than double the level of the fiscal year ended March 31, 2021, and thereby generating operating income of ¥53.0 billion in the fiscal year ending March 31, 2026.

Credit Card Transactions*

* Total of card shopping transactions and rent guarantee services



Operating Income



FINTECH

Assistance for Self-Actualization

In April 2021, our EPOS cards were redesigned to incorporate a new non-contact payment feature using Visa Touch. We anticipate that this feature will drive growth in small-sum payments at convenience stores and other locations. Around the same time, we also launched our lifestyle app that allows users to customize their services and functions based on their lifestyle. The massive improvement to the user experience provided by this app is expected to contribute to growth in lifetime value. We also project that the new EPOS card together with the lifestyle app will drive increases in transaction volumes.



New EPOS cards



Lifestyle app



Click here to register for lifestyle app
(in Japanese only).
www.eposcard.co.jp/appli/index.html

Earnings Generated Together with Positive Impact through Renewable Energy

MARUI GROUP has teamed up with UPDATER, Inc., to encourage EPOS cardholders to switch to renewable energy with the goal of reducing CO₂ emissions, both inside and outside of the Company, by more than one million tons by the fiscal year ending March 31, 2026. Moreover, as customers use their EPOS cards to pay their monthly electricity bills, it will contribute to the advancement of our strategy of maximizing the share of EPOS card payments in relation to household finances while also potentially contributing to earnings growth as customers increasingly use their EPOS card as their main credit card. In this manner, this co-creative initiative for reducing CO₂ emissions together with customers will generate earnings with a positive impact on society.



Minna-denryoku EPOS Card, the first credit card in Japan to be made of recycled plastic

Credit Cards Offering Support for Pursuing Interests

We have received resoundingly positive response from customers for our anime, video game, and other collaboration cards that support people in pursuing their interests. For example, while such collaboration cards only accounted for around 30,000 of our 6.4 million EPOS cardholders in the fiscal year ended March 31, 2017, this number had risen to 450,000 of the 7.1 million cardholders in the fiscal year ended March 31, 2022. Cards that support people in pursuing their interests are highly compatible with expression via YouTube, social media, and other online venues, and thereby help attract passionate fans by offering an incentive to sign up that goes beyond the financial benefits. Going forward, MARUI GROUP will bolster its lineup of in-store and online events while also expanding its range of cards that support people in pursuing their interests with the goal of having these cards held by more than one million customers by the fiscal year ending March 31, 2026.



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Entry into Buy Now, Pay Later Market through Digital Transformation and Evolved User Experiences

A category of fintech services that has been showing substantial growth in recent years is the so-called "buy now, pay later" services. These services, which allow for payments to be made at a later date after a purchase, are growing together with e-commerce and digital wallet services, and are therefore expected to transform the payment service market over the next five to 10 years. Moreover, digital transformation has the potential to optimize "buy now, pay later" services and thereby grant these services an increased presence in both online and offline payment service markets. Seeking to capitalize on this opportunity, MARUI GROUP introduced a new pay later function for use with its EPOS cards. We also partnered with a start-up company founded by Generation Z individuals with the goal of promoting digital transformation and further evolving user experiences.

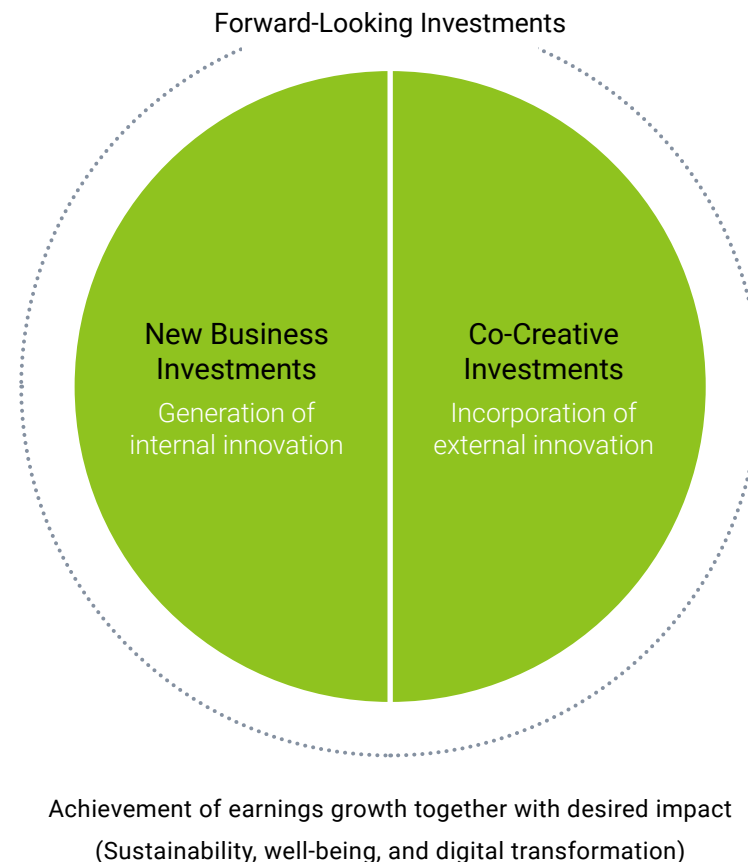
Positive Impact and Earnings Generated through Synergies with Existing Businesses

Forward-looking investments are a new element of MARUI GROUP's business model that are largely divided into two types: new business investments and co-creative investments.

Central to the model for our new businesses is e-commerce. MARUI GROUP is endeavoring to attract fans of its services through websites, social media, and owned media. At the same time, we are combining pop-up store events in MARUI GROUP stores and credit card payment services in a manner that merges the strengths of our existing retailing and fintech businesses in order to create business models with high barriers to entry.

Co-creative investments are aimed at the co-creation of value based on the co-creative philosophy that MARUI GROUP has embraced since its founding. We have, for example, identified D2C brands as an investment area warranting particular attention. D2C brands employ a new business model entailing direct connections between consumers and brands through directly operated e-commerce websites or social media. In this area, we have established D2C&Co., through which we are investing in D2C start-up companies. These co-creative investments differ from traditional M&A activities, which target quick returns, in that they are more oriented toward contributing to earnings in existing business while producing medium- to long-term financial returns.

Through these two approaches toward investment, MARUI GROUP will strive to produce innovation inside and outside of the organization and thereby generate positive impacts on society along with earnings. A total of ¥22.3 billion was invested in this manner over the period spanning the fiscal years ended March 31, 2017 to 2022, and we intend to raise the aggregate amount of investments to ¥43.0 billion leading up to the fiscal year ending March 31, 2026.

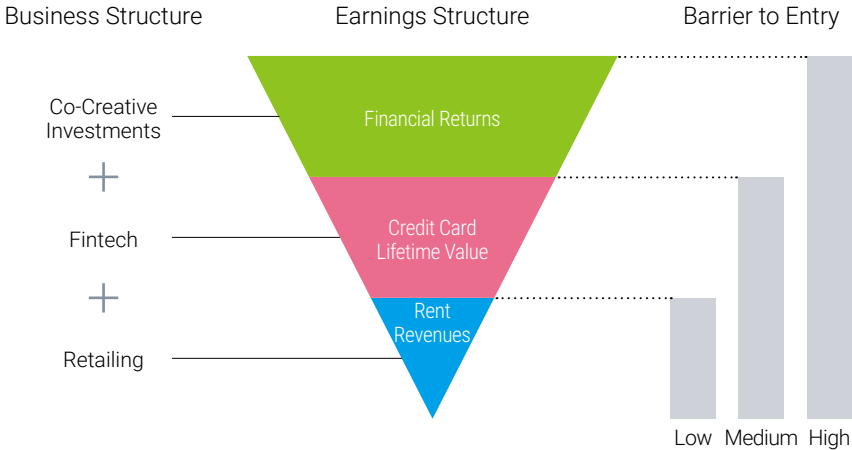


FORWARD-LOOKING INVESTMENTS

Improved Competitiveness of Stores That Do Not Sell through Co-Creative Investments

MARUI GROUP's strategy of developing stores that do not sell entails a three-layered approach comprising retailing, fintech, and co-creative investments. The revenues from this strategy are generated in the forms of rent revenues, credit card lifetime value, and financial returns, with the amount of said revenues growing larger in that order. At the lowest level, contained within the Retailing segment, this strategy may be relatively easy to imitate. However, this becomes more difficult as an additional layer is introduced into the strategy through the business model merging fintech and retailing that the Company has developed since its founding. A third layer is added to this strategy through co-creative investments, and this layer brings with it a jump in competitiveness. The resulting three-layered strategy of stores that do not sell makes for a business with an exceptionally high barrier to entry.

Three-Layered Strategy of Stores That Do Not Sell

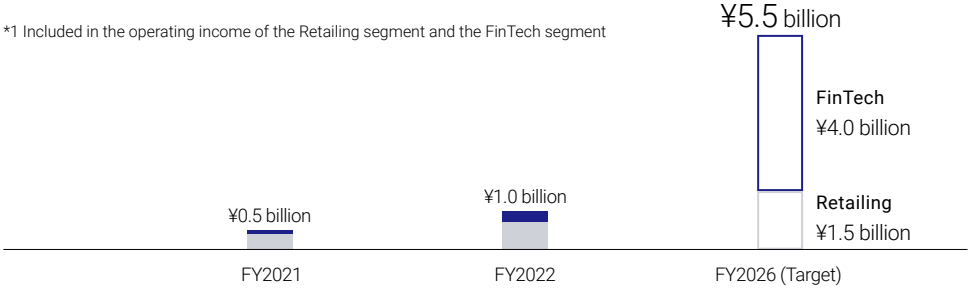


Large Earnings Contributions from Synergies with Co-Creative Investees

The combined earnings contributions from co-creative investments aimed at stimulating innovation outside of the Company and from the growth of store rent revenues and credit card lifetime value amounted to ¥0.7 billion in the Retailing segment and ¥0.3 billion in the FinTech segment in the fiscal year ended March 31, 2022. Future initiatives on this front will be oriented toward generating synergies. In the Retailing segment, these synergies will be pursued by encouraging co-creative investees to become tenants in our stores. In the FinTech segment, we will focus on promoting the use of EPOS cards for purchases from co-creative investees while producing collaboration cards with these partners. We thereby aim to generate total earnings contributions from the Retailing and FinTech segments of ¥5.5 billion in the fiscal year ending March 31, 2026, an increase of more than tenfold from the fiscal year ended March 31, 2021.

Earnings Contributions from Co-Creative Investments*1

*1 Included in the operating income of the Retailing segment and the FinTech segment



Internal Rate of Return*2

FY2022 **27%** > Hurdle Rate **10%** Internal rate of return of 27%, exceeding hurdle rate of 10%

*2 Rate calculated using recent procurement prices for non-listed stocks and based on amounts if listed stocks were to be sold on March 31, 2022, for applicable securities