

MARUI GROUP

FY 2006 First - Half

Financial Results Presentation



November 8, 2005
MARUI Co., LTD.

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 - 2 . Measures in Second-Half and Beyond
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FY06 First - Half

Overview of Consolidated Performance

Statements of Income



Higher revenues and earnings reach targets, operating income up ¥6.2 billion, or 45%, year on year to ¥20.2 billion

Billions of yen, %

	Previous interim period	Target at start of FY06	Actual performance	YOY comparison (%)	YOY difference	Target comparison (%)	Target difference
Operating revenues	265.8	265.0	267.6	100.7	+ 1.8	101.0	+ 2.6
Gross profit	96.3	98.0	100.6	104.5	+ 4.3	102.7	+ 2.6
SG&A expenses	82.3	82.5	80.4	97.7	- 1.9	97.5	- 2.1
Operating income	14.0	15.5	20.2	144.7	+ 6.2	130.8	+ 4.7
Ordinary income	15.1	15.5	20.7	136.9	+ 5.6	133.7	+ 5.2
Net income	7.6	8.0	10.4	136.5	+ 2.8	130.1	+ 2.4

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Breakdown of Total Operating Revenues



Total operating revenues exceed previous interim term and meet targets due to firm merchandise sales and double-digit growth in consumer loans

Billions of yen, %

	Previous interim period	Target at start of FY06	Actual performance	YOY comparison (%)	YOY difference	Target comparison (%)	Target difference
Total operating revenues	265.8	265.0	267.6	100.7	+1.8	101.0	+2.6
Merchandise sales	205.4	202.0	205.2	100	-0.2	102	+3.2
Finance charges earned on installment sales	0.9	0.8	0.9	98	-0	109	+0.1
Interest income on consumer loans	29.0	32.8	32.6	112	+3.6	100	-0.2
Other revenues	30.5	29.4	28.9	95	-1.5	98	-0.5

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Breakdown of Merchandise Sales



Existing stores exceed targets with 0.6% year-on-year growth, and merchandise sales beat target by ¥3.2 billion

Billions of yen, %

	Previous interim period	Target at start of FY06	Actual performance	YOY comparison (%)	YOY difference	Target comparison (%)	Target difference
Merchandise sales	205.4	202.0	205.2	99.9	-0.2	101.6	+3.2
Existing stores	198.2	196.3 (99.0%)	199.3	101	+1.1	102	+3.0
KITASENJU · KOBE	20.2	19.9	20.8	103	+0.6	105	+0.9
Other	178.0	176.4	178.5	100	+0.5	101	+2.1
Closed stores	2.1	-	-	-	-2.1	-	-
Mail-order sales	5.1	5.7	5.9	116	+0.8	104	+0.2

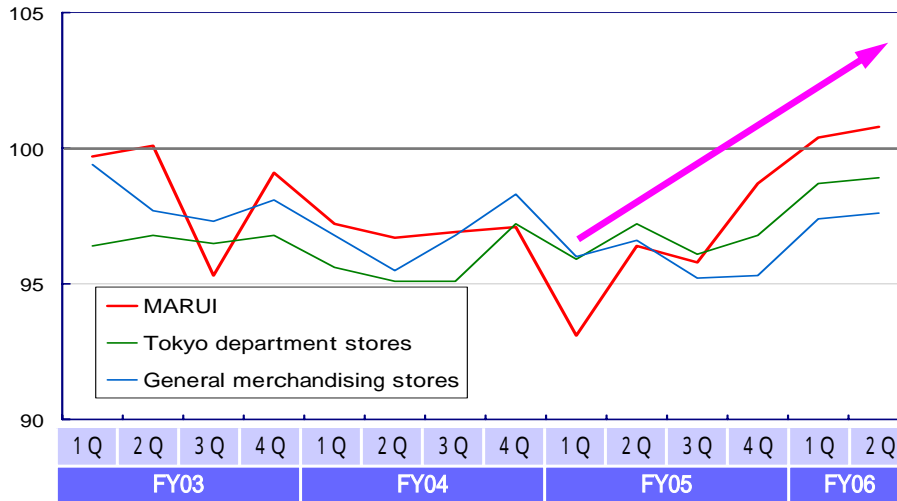
*The previous interim period results for closed stores comprise the NUMAZU STORE (closed May 2004) and MARUI ONE SHINJUKU (closed August 2004)

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Year-On-Year Trends at Existing Stores (quarterly)

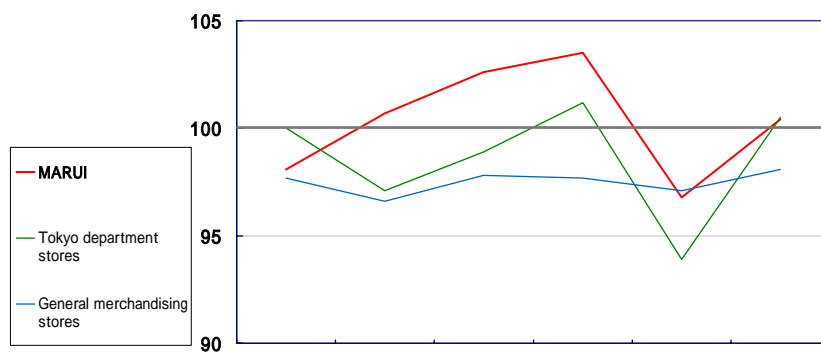


Sales at existing stores rise after bottoming out in FY05 1Q, with FY06 1Q and 2Q posting year-on-year increases



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Year-On-Year Trends at Existing Stores (monthly)



	Apr.	May	Jun.	Jul.	Aug.	Sep.	First-Half
MARUI	98.1	100.7	102.6	103.5	96.8	100.4	100.6
Tokyo department stores	100.0	97.1	98.9	101.2	93.9	100.5	(98.8)
General merchandising stores	97.7	96.6	97.8	97.7	97.1	98.1	-

* First-half results for Tokyo department stores calculated by totaling results for period April - September

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Downtown Stores



Downtown store refurbishments in previous FY trigger double-digit growth at mainstay SHINJUKU STORE and SHIBUYA STORE



YOY sales (★ major refurbishment)

(%)


	FY05				FY06		
	1Q	2Q	3Q	4Q	1Q	2Q	First-Half
SHINJUKU STORE	96	98	★ 103	108	★ 112	110	111
SHIBUYA STORE	93	93	★ 108	107	111	114	112
CITY UENO	85	88	88	93	★ 108	103	106
CITY YOKOHAMA	99	104	100	103	104	101	102

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KOBE MARUI and KITASENJU MARUI



From outset of second year of operations, KOBE MARUI and KITASENJU MARUI see brisk sales and outperform 1st 12 months of operations

KOBE MARUI	KITASENJU MARUI
 <p>FY06 first-half results</p> <ul style="list-style-type: none"> · Sales ¥3.6 billion · YOY: 111% · Customer numbers · YOY: 130% <p>· Opened October 3, 2003 · Sales through October 2, 2004 : ¥7.1 billion</p>	 <p>FY06 first-half results</p> <ul style="list-style-type: none"> · Sales ¥17.4 billion · YOY: 102% · Customer numbers · YOY: 100% <p>· Opened February 27, 2004 · Sales through February 26, 2005 : ¥37.2 billion</p>

Sales in 2nd year of operations compared with the same month of previous year

(%)

	FY05						FY06					
	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.
KOBE MARUI	80	95	104	122	108	111	117	116	86	128	109	111
KITASENJU MARUI	-	-	-	-	-	83	93	97	101	108	108	106

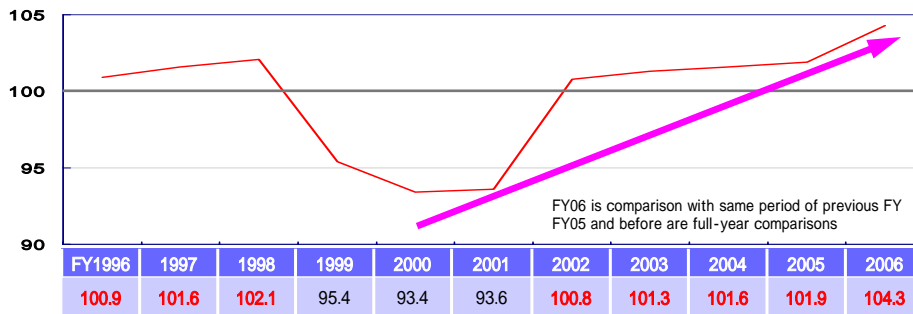
* KOBE MARUI June results due to the effect of a change in sale implementation

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Product Unit Price Trends



After bottoming out in FY00, from FY02 prices rose year on year, FY06 first half prices up 4% year on year



FY06 first-half product unit prices year on year

Women's apparel

· Polo shirts	108%
· Shirts	107%
· Pants	106%
· Cut and sewn	105%
· Sweaters	104%

Men's apparel

· Pants	110%
· Jackets	103%
· T-shirts	103%
· Shirts	101%
· Suits	100%

Accessories

· Women's apparel accessories	109%
· Women's shoes	100%
· Women's handbags	97%

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Merchandising Sales by Segment



Sales of men's apparel and sporting goods strong up 7% year on year while women's apparel also improves year-on-year

	Previous interim period	Target at start of FY06	Actual performance	YOY comparison (%)	YOY difference	Target comparison (%)	Target difference
Merchandise sales	205.4	202.0	205.2	99.9	-0.2	101.6	+3.2
Women's apparel	69.3	70.0	70.1	101	+0.8	100	+0.1
Men's apparel & sporting goods	36.7	37.0	39.2	107	+2.6	106	+2.2
Luxury & accessory goods	59.7	57.0	57.4	96	-2.3	101	+0.4
Furniture & household goods	14.0	14.0	13.5	96	-0.5	96	-0.5
Foodstuff & restaurant sales	25.7	24.0	25.0	97	-0.8	104	+1.0

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Actual Example of Major Initiatives in Merchandising Operations



(1) Advancing supply chain management

- Theorize / test / revise based on customer-generated data, and undertake concerted initiatives with business partners
- Men's apparel merchandise department sales up 9% year on year

(2) Strengthening Internet-based mail-order sales

- Virtual store opens in April. Fortify mobile-phone-based and Internet-based mail-order sales
- Mail-order sales up 16% year on year

(3) Review sales plans and minimize markdowns

- Increase gross profit margins and minimize markdowns through quick response to actual demand periods and reduced use of markdowns
- CITY SHINJUKU sales up 9% year on year

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Men's Apparel Year On Year (existing stores)



	(%)						
	Apr.	May	Jun.	Jul.	Aug.	Sep.	First-half
MARUI (Men's apparel)	106.7	107.4	113.8	110.6	103.3	105.2	108.3
Nationwide department stores (Men's apparel)	98.6	98.5	103.8	103.2	99.6	99.2	-
General merchandising stores (Men's apparel)	99.1	96.6	103.6	100.1	99.5	95.9	-
CITY SHINJUKU+ MEN SHINJUKU (Men's apparel)	116.2	117.4	123.4	119.3	109.4	112.0	116.8

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Advancement of Supply Chain Management (Men's apparel merchandise department) 

Polo shirts a mega hit, sales of the priority supply-chain-management line quadruple compared with year before last



FY06 first-half results

	Sales	YOY comparison	YOY difference
Men's apparel merchandise department	22.8	10.9%	+1.8
Polo shirts	1.6	19.7%	+0.8
Percentage of sales	7%	-	44%

Billions of yen, %

Introduction of JAN for men's apparel

Number of traded companies	Number of companies using JAN	JAN ratio

JAN ratio = no. of JAN products sold ÷ total no. of products sold

Polo shirts generate more than 40% of the increase in sales of men's apparel merchandise department

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Advancement of Supply Chain Management (Men's apparel merchandise department) 

Put forward theories based on data from test marketing of individual-items, and select promising lines

Hone product attributes by checking customers' responses and continually revising



2004 F/W
Test new attributes in collaboration with business partners



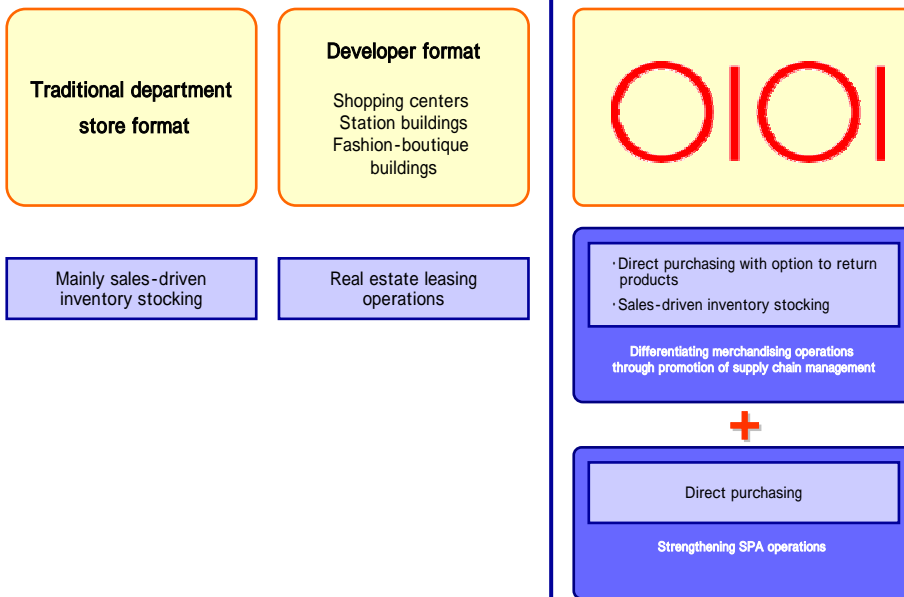
2005 S/S (pre-launch)
Based on analysis of individual-item data, select attributes to be emphasized

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Pinpoint reasons for product popularity through deeper analysis of data on individual item attributes



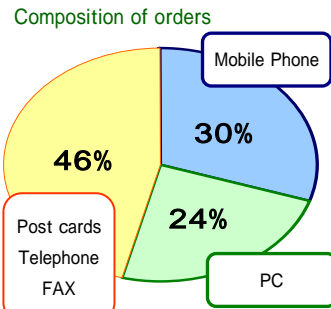
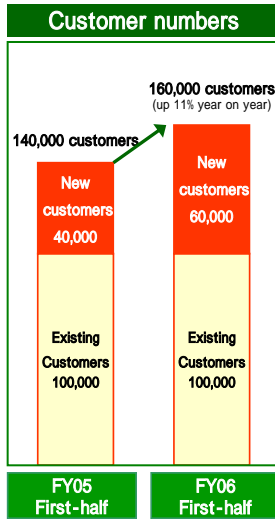
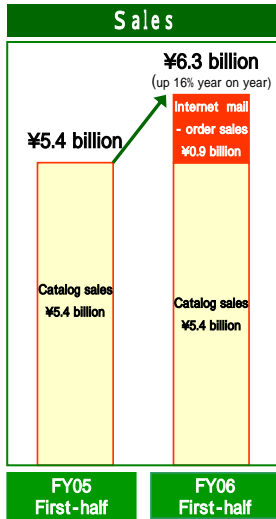
* Painstaking planning of designs and materials differentiates our garments from traditional polo shirts and optimizes brand power.



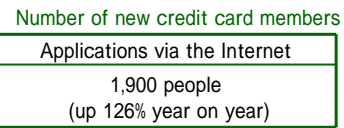
Bolstering Internet-Based Mail-Order Sales



Increase sales and customer numbers by targeting new Internet users



Orders via the Internet account for 54% of orders (year-on-year difference + 13)



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Bolstering Internet-Based Mail-Order Sales



VIRTUAL STORE



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Bolstering Internet-Based Mail-Order Sales



Targeting 18% year-on-year increase in FY06 mail-order sales, to ¥14.5 billion

Targeting Internet-based mail-order sales of ¥2.5 billion,
or more than 18% of mail-order sales

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Reviewing Sales Plans and Minimizing Markdowns (CITY SHINJUKU)



Quick response to actual demand periods



Sales growth in June, August

Reduced use of markdowns



Reduce markdowns in July



FY06 first-half results

		YOY
Merchandise sales		109%
Women's and men's apparel		114%
Gross profit		110%
Women's and men's apparel No-markdown sales	First-half	113%
	July	120%

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Reviewing Sales Plans and Minimizing Markdowns (CITY SHINJUKU)



During the mid-July summer markdown-sale season, all facilities, from stores through sales areas, changeover to autumn

Stores large-banner displays (from July 15)



Sales areas also roll out no-markdown sales of summer garments with autumn designs



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Interest Income on Consumer Loans



MARUI and ZERO FIRST perform largely according to plan, posting double-digit growth in interest income

Billions of yen, %

	Previous interim period	Target at start of FY06	Actual performance	YOY comparison (%)	YOY difference	Target comparison (%)	Target difference
Interest Income on Consumer Loans	29.0	32.8	32.6	112.4	+3.6	99.5	-0.2
MARUI	24.7	26.4	26.3	106	+1.6	100	-0.1
ZERO FIRST	4.3	6.4	6.4	148	+2.1	100	-0.0
Consumer Loans Outstanding	237.2	259.0	257.4	108.5	+20.2	99.4	-1.6
MARUI	199.6	206.0	204.6	103	+5.0	99	-1.4
ZERO FIRST	37.6	53.0	52.8	140	+15.2	100	-0.2

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Breakdown of Gross Profit



Gross margin on merchandise sales improves 0.9% year on year,
gross profit up ¥4.3 billion year on year

Billions of yen, %

	Previous interim period	Target at start of FY06	Actual performance	YOY comparison (%)	YOY difference	Target comparison (%)	Target difference
Total Gross Profit	96.3	98.0	100.6	104.5	+4.3	102.7	+2.6
Merchandise Sales	58.4	58.0	60.2	103	+1.8	104	+2.2
Consumer Loans	29.0	32.8	32.6	112	+3.6	100	-0.2
Other Revenues	8.9	7.2	7.8	88	-1.0	109	+0.6
Gross Profit Margin	36.2	37.0	37.6	-	+1.4	-	+0.6
Gross Profit Margin on Merchandise Sales	28.4	28.7	29.3	-	+0.9	-	+0.6

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Gross Profits of SPA Companies



Gross margin of 41.6% outperforms target by 0.9 percentage points,
steady progress toward medium-term target of 45%

Billions of yen, %

	Sales	Gross profit	Target comparison (%)	Gross margin (%)	Target difference
Total	75.0	31.2	99.8	41.6	+0.9
Marui M's Mode Co., Ltd.	24.8	10.4	108	41.7	+1.9
Marui Palette Co., Ltd.	18.3	6.7	97	36.9	-0.1
Marui Fashion Navi. Co., Ltd.	16.9	7.1	96	42.1	+0.4
Marui Access Co., Ltd.	15.0	7.0	96	46.7	+1.0

* Year-on-year comparison cannot be made because SPA companies changed their method of accounting for sales from October 2004.

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Breakdown of SG&A



SG & A expenses decreased ¥1.9 billion year on year due to cost reductions by group companies, including property and equipment expenses, personnel cost

Billions of yen, %

	Previous interim period	Target at start of FY06	Actual performance	YOY comparison (%)	YOY difference	Target comparison (%)	Target difference
SG&A	82.3	82.5	80.4	97.7	-1.9	97.5	-2.1
Sales promotion expenses	7.3	-	7.2	98	-0.2	-	-
Sales administration expenses	14.5	-	14.1	98	-0.4	-	-
Personnel cost	30.3	-	29.6	98	-0.7	-	-
Property and equipment expenses	16.6	-	15.5	94	-1.0	-	-
Depreciation and amortization	8.4	-	7.7	92	-0.7	-	-
Provision for doubtful accounts	4.8	-	5.7	118	+0.9	-	-
Other	0.4	-	0.6	138	+0.2	-	-

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Bad Debt Write-Offs



Billions of yen, %

	Consolidated		Marui		Marui Card		Zero First	
		YOY(%)		YOY(%)		YOY(%)		YOY(%)
Total operating receivables	286.9	108	231.9	102	2.2	-	52.8	140
Consumer loans outstanding	257.4	109	204.6	103	-	-	52.8	140
Installment sales	29.5	105	27.3	97	2.2	-	-	-
Bad debt write-offs	4.7	116	3.9	113	0	-	0.8	139
Ratio of bad debt write-offs	1.65%	+0.10	1.70%	+0.15	0.01%	-	1.51%	-0.03

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Segment Information



Billions of yen, %

	FY05 First-half			FY06 First-half		
	Merchandising	Credit card and consumer finance services	Merchandise-related services	Merchandising	Credit card and consumer finance services	Merchandise-related services
Operating Revenues	205.5	33.7	50.4	205.2	36.0	50.2
Operating Expenses	201.9	23.9	47.8	197.4	24.3	47.6
Operating Income	3.7	9.8	2.6	7.8	11.7	2.5
Operating Income Margin (%)	1.8	29.1	- *	3.8	32.6	- *

* Operating income margins are not shown because operating income for merchandising-related services are prior to internal elimination.

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Measures in Second - Half
and Beyond

Existing Store Refurbishment Scrap and Build

Autumn Store Refurbishment



Autumn store refurbishment year on year (%)

	April July	One month period after refurbishment	
			Difference with trend
CITY IKEBUKURO	100	108	+ 8
KITASENJU MARUI	100	111	+ 11
CITY UENO	107	112	+ 5

CITY IKEBUKURO



KITASENJU MARUI



CITY UENO



Store-Opening Plans and Capital Investments



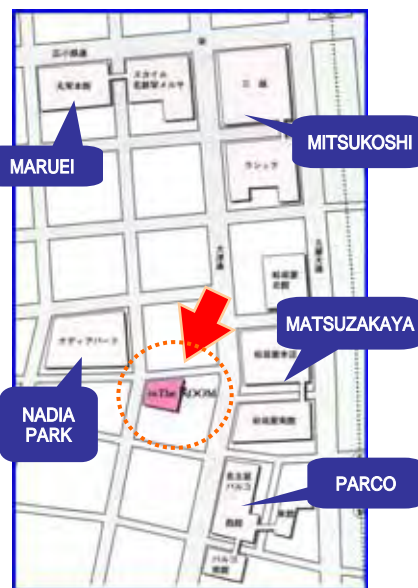
	Store-opening period	Sales floor space	Investment
NANBA STORE, OSAKA	2006 autumn	17,000m ²	¥4.5 billion
NEW SHINJUKU STORE COMPLEX	2007 spring	10,000m ²	¥3.5 billion
in The Room, NAGOYA	2007 spring	3,000m ²	¥0.8 billion
YURAKUCHO STORE, TOKYO	2007 autumn	20,000m ²	¥30.0 billion

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Opening of “in The ROOM” Store in Nagoya



Spring 2007 opening slated
 Will be largest in The Room store, 3000 square meters



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Store Closure Plans



	Closure period (scheduled)	FY05 merchandise sales	Peak merchandise sales	Date of opening	Sales floor space
FUJISAWA STORE	2006 spring	¥6.3 billion	¥ 10.5 billion	1979 September	10,936m ²
TOTSUKA STORE	2006 autumn	¥ 11.9 billion	¥ 15.5 billion	1986 November	14,614m ²
TOKOROZAWA STORE	2007 spring	¥ 6.4 billion	¥ 15.2 billion	1977 April	13,892m ²

- Changing TOTSUKA STORE and TOKOROZAWA STORE to leased commercial facilities, business format currently under consideration
- Employees transfer to existing stores or new stores

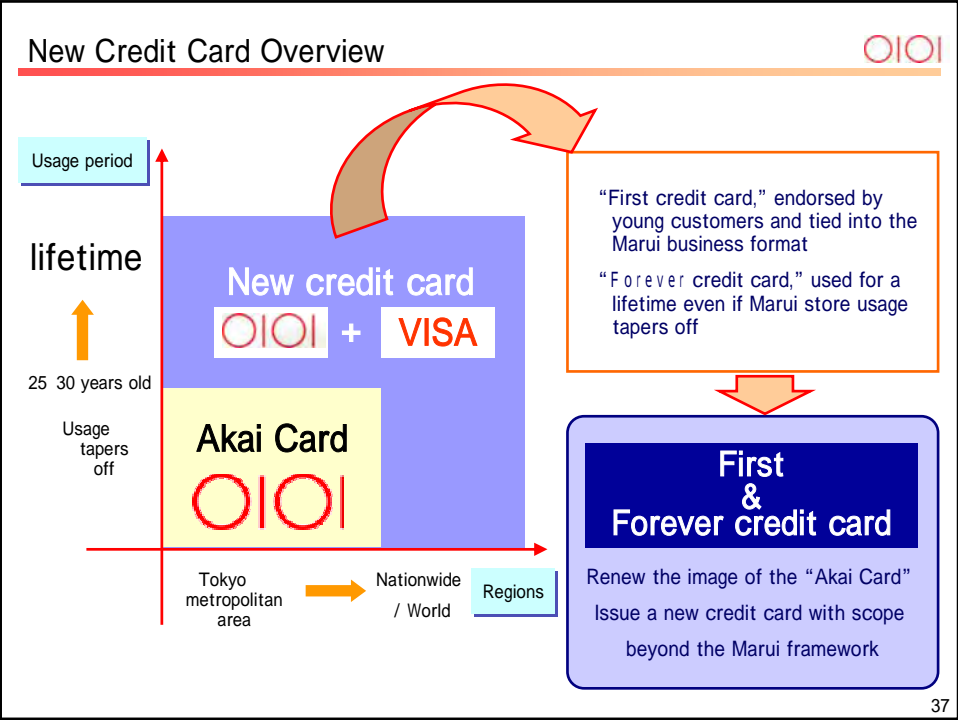
(Reference) Sales per 3.3-square-meter area (FY05)

(thousands of yen)

All stores	3 stores slated for closure	Excluding stores slated for closure
2,810	2,060	2,880

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New Credit Card Overview



New Credit Card Overview OIOI

Epos Credit Card to Debut March 2006

Epos

Created based on the word “epoch,” to suggest a new era

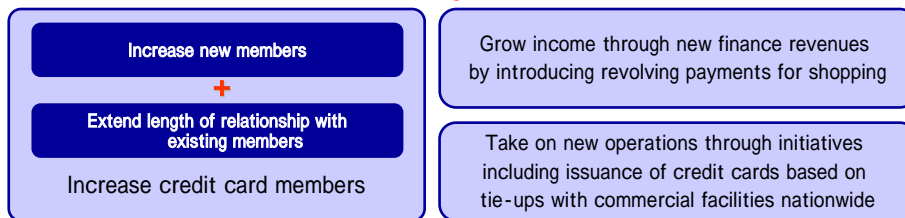
The name implies a credit card that can support customers as they approach a new life stage, or “epoch,” and the Marui Group s carving out of a new era, as in “epoch making”

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New Credit Card Overview



New credit card credit functions	New credit card member services
Usage of the highly convenient VISA brand name	Introduction of points program
Introduction of revolving payments for shopping	Points granted equivalent to annual membership fee
Heightened convenience through enhanced Internet services	Special members discount for one month after joining
Convenient payment methods such as multiple interest and skip payments	Complimentary treatment in month of birthday, ongoing job-seeker support services



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FY06 Full-Year Outlook

FY06 Full-Year Outlook (consolidated)



Billions of yen, %

	Previous FY	Target at start of FY06	Revised full-year target	Revision amount	YOY comparison(%)
Total Operating Revenues	556.2	556.0	562.0	+ 6.0	101
Gross Profit	200.5	204.0	210.0	+ 6.0	105
SG&A Expenses	163.7	164.0	165.0	+ 1.0	101
Operating Income	36.8	40.0	45.0	+ 5.0	122
Ordinary Income	38.1	40.0	45.5	+ 5.5	119
Net Income	19.2	22.0	23.0	+ 1.0	120

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FY06 Full-Year Outlook Assumptions



	First-half performance	Second-half	Full year
YOY merchandise sales at existing stores	100.6%	100.5%	100.6%
Gross margin on merchandise sales	29.3% (YOY difference +0.9)	29.7% (YOY difference +1.0)	29.5% (YOY difference +0.9)
Interest income on consumer loans	¥ 32.6 billion (YOY difference +12%)	¥ 33.2 billion (YOY difference +7%)	¥ 65.8 billion (YOY difference +9%)
Consumer loans outstanding	¥ 257.4 billion (YOY difference +0.9)	-	¥ 263.0 billion (YOY difference +0.6)
SG&A expenses	¥ 80.4 billion	¥ 84.6 billion *includes new credit card system expenses of ¥1.6 billion	¥ 165.0 billion
ROE	-	-	5.3% (YOY difference +0.8)

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Returns to Stockholders Measures Going Forward

Basic Policy for Returns to Stockholders



Implement appropriate returns to stockholders based on medium-term management plan and within limits of cash flows

- Enhance capital efficiency, achieve ROE of more than 8%, heighten stockholder value
- Dividends to reflect progress of medium-term management plan and performance levels
- Capital remaining after returns to stockholders aggressively reinvested to expand operations / enhance earnings

Capital projections from FY06 to FY10 (overview)

(Billions of yen)

Net income	170
Depreciation and amortization	100
Working capital for consumer loan business	-65
Other	15
Operational subtotal	220
Capital investments	-105
Other	10
Investment related subtotal	-95

Cash dividends	65
FY06 treasury stock acquisition	25
Exercise of stock options	-15
Total return to stockholders	75
Additional / new investment	50
Total	125

Review dividend policy

Manage dynamically

*Draw on cash equivalents, investment up to ¥80 billion possible

Free cash flows	125
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Cash equivalents at end of period	50
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Dividend Policy



Change for previous emphasis on stable dividend payments to dividend payments that reflect performance in respective periods.

- Plans call for cash dividends per share of ¥50 when ¥80 billion operating income target set out in medium-term management plan reached
- In intervening FYs, cash dividends per share determined by extent to which operating income approaches ¥80 billion

Cash dividends overview

	FY05	FY06	FY10
Operating Income	¥ 36.8 billion	¥ 45.0 billion	¥ 80.0 billion
Achievement Ratio	-	56%	100%
Dividends per Share	¥ 22	¥ 28	¥ 50

Note: Cash dividends per share for respective fiscal years are provisional calculations and are not determinations of payments.

Rough guide to setting of ¥50 target for cash dividends

- Based on ratio of FY10 to FY05 target set by using net-income multiplying factor: 2.3

	FY05	FY10
Operating Income	¥ 36.8 billion	¥ 80.0 billion (2.2 times)
Net Income	¥ 19.2 billion	¥ 45.0 billion (2.3 times)
Dividends per Share	¥ 22	¥ 50 (2.3 times)

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